

*Frustrated, the consumer turns to his own back yard*

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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

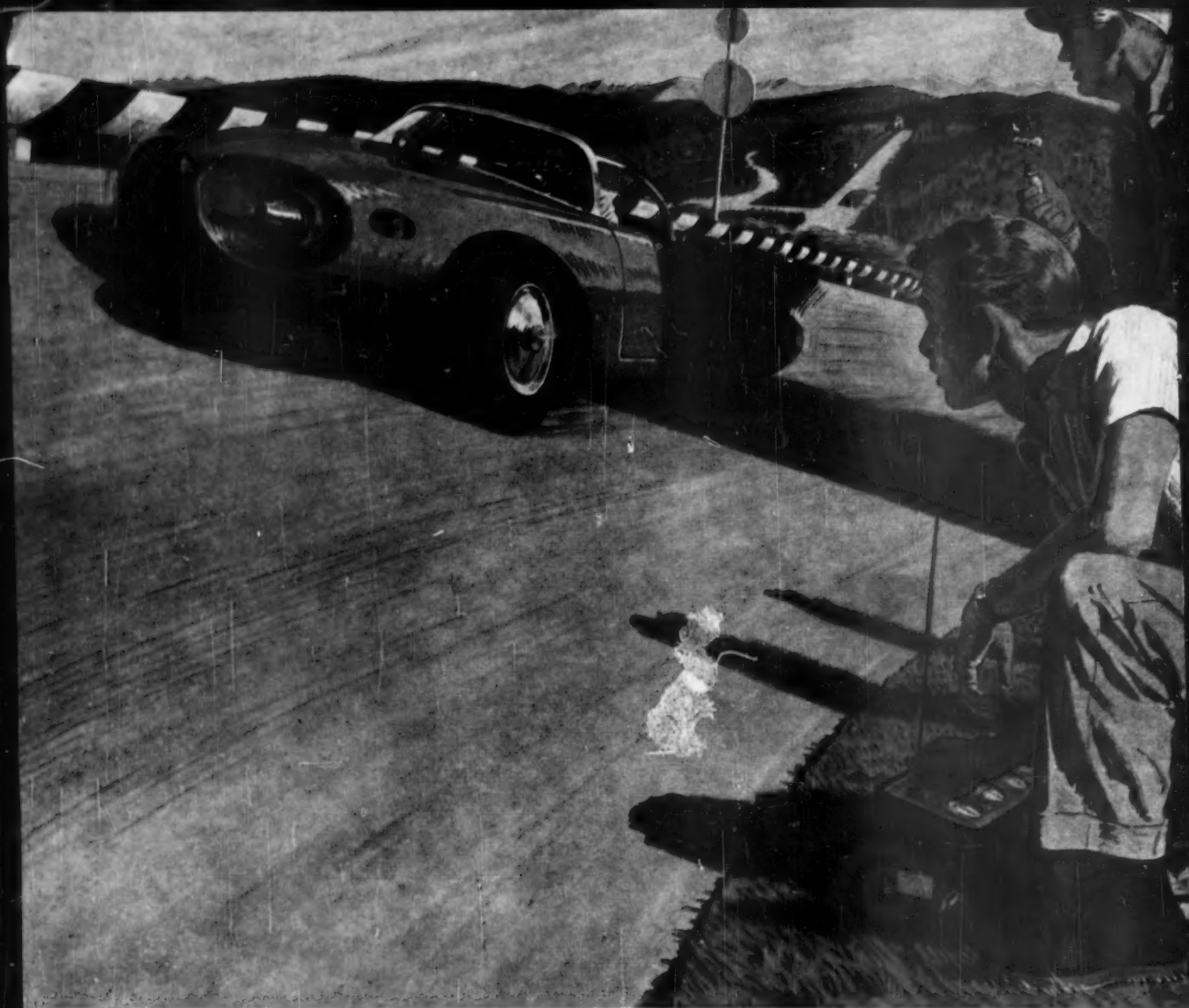
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SEPT. 6, 1958



States Marine's Walsh and Mercer: Cotton cargoes, ship charters, atomic power—and maybe now a subsidy—make the biggest cargo operator. (Companies)

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ROLLER BEARINGS



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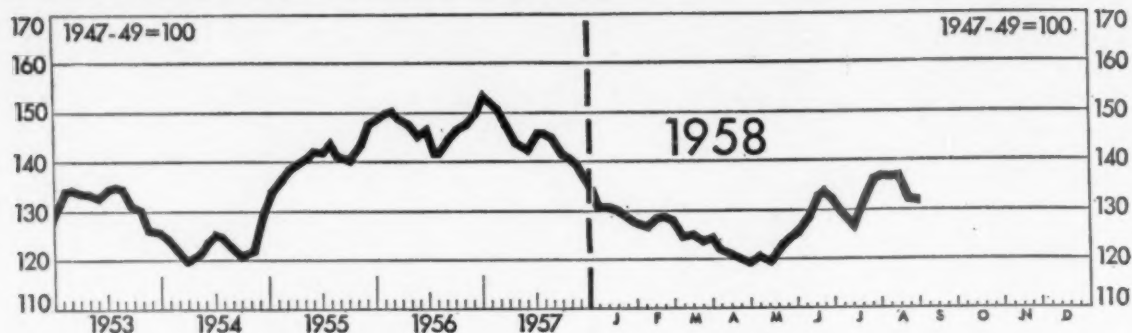
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# FIGURES OF THE WEEK



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1946 Average	Year Ago	Month Ago	Week Ago	% Latest Week
91.6	145.3	137.6	†133.1	*132.6

## PRODUCTION

Steel ingot (thous. of tons) . . . . .	1,281	2,103	1,561	†1,715	1,707
Automobiles and trucks . . . . .	62,880	143,071	80,374	†38,096	26,955
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.) . . . . .	\$17,083	\$61,751	\$87,102	\$67,570	\$63,277
Electric power (millions of kilowatt-hours) . . . . .	4,238	12,147	12,619	12,486	12,272
Crude oil and condensate (daily av., thous. of bbls.) . . . . .	4,751	6,766	6,545	6,875	N.A.
Bituminous coal (daily av., thous. of tons) . . . . .	1,745	1,658	1,309	†1,346	1,351
Paperboard (tons) . . . . .	167,269	290,919	299,148	293,915	307,590

## TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars) . . . . .	82	70	54	58	60
Carloadings: all others (daily av., thous. of cars) . . . . .	53	56	47	47	46
Department store sales index (1947-49 = 100, not seasonally adjusted) . . . . .	90	130	111	124	134
Business failures (Dun & Bradstreet, number) . . . . .	22	262	271	272	246

## PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100) . . . . .	311.9	417.4	405.2	393.1	393.0
Industrial raw materials, daily index (BLS, 1947-49 = 100) . . . . .	††73.2	91.0	86.5	85.9	85.9
Foodstuffs, daily index (BLS, 1947-49 = 100) . . . . .	††75.4	84.4	88.7	86.5	86.8
Print cloth (spot and nearby, yd.) . . . . .	17.5¢	17.9¢	17.7¢	17.7¢	17.7¢
Finished steel, index (BLS, 1947-49 = 100) . . . . .	††76.4	181.5	185.1	186.4	186.4
Scrap steel composite (Iron Age, ton) . . . . .	\$20.27	\$50.17	\$42.17	\$42.50	\$42.83
Copper (electrolytic, delivered price, E & MJ, lb.) . . . . .	14.045¢	27.625¢	26.510¢	26.500¢	26.388¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.) . . . . .	\$1.97	\$2.11	\$1.85	\$1.84	\$1.89
Cotton, daily price (middling, 1 in., 14 designated markets, lb.) . . . . .	**30.56¢	33.48¢	34.87¢	34.85¢	34.76¢
Wool tops (Boston, lb.) . . . . .	\$1.51	#	\$1.72	\$1.72	\$1.65

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10) . . . . .	17.08	44.56	46.96	47.45	47.90
Medium grade corporate bond yield (Baa issues, Moody's) . . . . .	3.05%	4.89%	4.57%	4.72%	4.78%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate) . . . . .	¾-1%	4%	1½%	2¼%	2½%

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks . . . . .	††45,820	54,973	56,647	55,323	55,822
Total loans and investments, reporting member banks . . . . .	††71,916	86,470	93,512	94,756	94,283
Commercial and agricultural loans, reporting member banks . . . . .	††9,299	31,583	29,001	29,932	29,867
U. S. gov't guaranteed obligations held, reporting member banks . . . . .	††49,879	24,914	32,002	33,297	32,910
Total federal reserve credit outstanding . . . . .	‡3,888	25,133	26,005	26,665	26,417

## MONTHLY FIGURES OF THE WEEK

		1946 Average	Year Ago	Month Ago	Latest Month
Private expenditures for new construction (in millions) . . . . .	August	\$803	\$3,196	\$3,128	\$3,215
Public expenditures for new construction (in millions) . . . . .	August	\$197	\$1,471	\$1,514	\$1,518
Consumer credit outstanding (in millions) . . . . .	July	\$6,704	\$42,592	\$43,122	\$43,026
Installment credit outstanding (in millions) . . . . .	July	\$3,174	\$32,968	\$33,054	\$33,133
Manufacturers' inventories (seasonally adjusted, in billions) . . . . .	July	\$21.3	\$54.1	\$50.2	\$49.8
Imports (in millions) . . . . .	June	\$412	\$983.6	\$1,063.0	\$1,036.6

\* Preliminary, week ended August 30, 1958.  
† Revised.

†† Estimate.  
\*\* Ten designated markets, middling ½ in.

‡ Data for 'Latest Week' on each series on request.  
# Insufficient trading to establish a price.  
N. A. Not available at press time.

THE PICTURES—Cover—Grant Compton; 32—Chrysler Corp.; 35—U. S. Navy; 36, 37—Ron Appelbe; 39—London Daily Express; 64, 65—Ramo-Woodbridge Corp.; 66—Mike Shea; 100, 101, 103—Pictorial Parade; 123, 124, 126—Jack Fuller; 140, 141—Grant Compton; 148 (lt.) Herb Kratochvil, (rt.) W. W.; 155—W. W.; 160—Spencer, Inc.

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**FORWARD-LOOKING BUSINESS  
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**Send off . . .** In Denver, Robert L. Cohen, Executive Vice President of Navajo Freight Lines, Inc., gives Driver Bob Masters the manifest for the run. At right: Bill Sallee, Employers Mutuals Representative, whose counseling simplified and coordinated Navajo's insurance program.



**From the cab,** look over Joe Miner's shoulder to the highway ahead. Teams of two Navajo men are always assigned to the same truck. "You get to know its habits that way," Joe says. "Trucks have habits just like humans."



**Control Room** for central communications. Navajo's Safety Director Ned MacCracken checks reports coming over the direct wires from all main stations to Denver headquarters. Paul Higgins is the operator.

*The "Blue-Eyed" Indian can be your guide to the "Wausau Way of working"...*

# Wausau Story

**COAST TO COAST FROM COLORADO**

by Willard C. Haselbush,  
Business News Editor The Denver Post



"Probably the only blue-eyed Indian you'll ever see is the trademark for Navajo Freight Lines, Inc. But you see him

often. He's pictured on the trucks and trailers that travel more than 38 million miles a year to provide motor freight service from coast to coast.

"You know—just by the millions of miles traveled every year—that it's no simple matter for this company to set up and maintain an effective safety program for its men. About 93% of those miles are on busy highways, the rest in heavy city traffic. Then, on the docks at the terminals,

there are hazards that come from handling a big variety of shipments in a hurry.

"To solve these problems Navajo works closely with Employers Mutuals, the country-wide insurance company with headquarters in Wausau, Wisconsin. Wherever there's an important Navajo terminal, there's an Employers Mutuals office. That means on-the-spot service, fast handling of claims, a personal concern with safety and a real savings in dollars and cents too.

"That's good business. And a good way of working. The neighborly spirit of Wausau is found at every Employers Mutuals office wherever it is located."

Whatever your business is and wherever it is, Employers Mutuals can provide "local" service tailored to your needs. Employers Mutuals, with offices all across the country, writes all forms of fire, group and casualty insurance including automobile. We are one of the largest in the field of workmen's compensation. For further information see your nearest representative (consult your telephone directory) or write us in Wausau, Wisconsin.

**Employers Mutuals of Wausau**



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## READERS REPORT

### Innocents Abroad

Dear Sir:

The article "Who's the Man to Send Abroad" [BW—Aug. 9'58, p84] points up a very important subject that has had too little attention from American business firms.

As one who has spent over 20 years living abroad as foreign expert for a prominent American engineering organization, I have seen too many evidences of the wrong selection.

When one is sent to a foreign country to represent his firm or is engaged for that purpose by an American firm, the first thing that he must realize is that when he arrives in his foreign post, he is the foreigner, not the people of the country. . . .

EDMUND B. BESSELIEVERE  
 CONSULTING ENGINEER  
 MAUMEE, OHIO

### Well Taped

Dear Sir:

Congratulations on the excellent article on magnetic recording tape [BW—Jul. 19'58, p106] Tape Winds Up for Bigger Role. . . .

Your article was timely in view of the widening interest in tape. . . .

CECIL S. STOWE  
 DIRECTOR, PUBLIC RELATIONS  
 ORRADIO INDUSTRIES, INC.  
 OPELIKA, ALA.

### Lay Out the Facts

Dear Sir:

I found the article entitled "Iron Imports Vex Mining States" [BW—Aug. 9'58, p109] most interesting.

I feel that your reporter set forth the general situation very well. I would only wish to point out one or two facts which may help to fill out the whole story on the dispute over iron mining.

In the article it is stated that Minnesota's percentage of all U. S. iron ore purchases has dropped since 1946 from 68% to last year's 49%. The inference, to the uncritical reader, is that Minnesota's gross tonnage has dropped throughout that period. But, as you know, steel capacity has greatly increased since 1946, so that while it is true the percentage of iron ore purchases has dropped, the gross tonnage of Minnesota production, up until this year of unusually low steel production, has been running at a very high rate. . . .

Minnesota has no objection to

# L.I.F.O.

(last in, first out)

# F.I.F.O.

(first in, first out)

No matter which method of moving inventory you use, there's always a large sum of cash tied up between the date your merchandise is available to the market and the date it is sold and paid for.

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imports of iron ore. We recognize that an expanding steel industry must draw iron ore from whatever source it can. . . . Minnesota is disturbed, however, when in those years when steel production drops off from the norm the steel companies have in the last two such years decreased their purchases of iron ore from Minnesota by an amount disproportionately greater than the drop in steel production, while at the same time continuing to increase the rate of imports of iron ore. . . .

The question is being asked in Minnesota whether this means that . . . leaders of the steel industry are not deliberately making a bad situation in Minnesota iron mining worse, applying the "squeeze" to the Minnesota Iron Range at a time when the recession in the steel industry would dictate a sharp reduction in iron mining everywhere, including the mines owned by the American steel corporations abroad. The suggestion is being made that the steel corporations are not interested in increasing employment in the iron mines of Minnesota any more than they have to, until the decision has been made in the legislature on Minnesota iron ore taxes. Whether this is a valid criticism, I do not know.

But I do know that the state government of Minnesota deserves to have the facts laid out before it on the table. . . .

HUBERT H. HUMPHREY

SENATOR  
COMMITTEE ON FOREIGN RELATIONS  
WASHINGTON, D. C.

## Too Much Gain

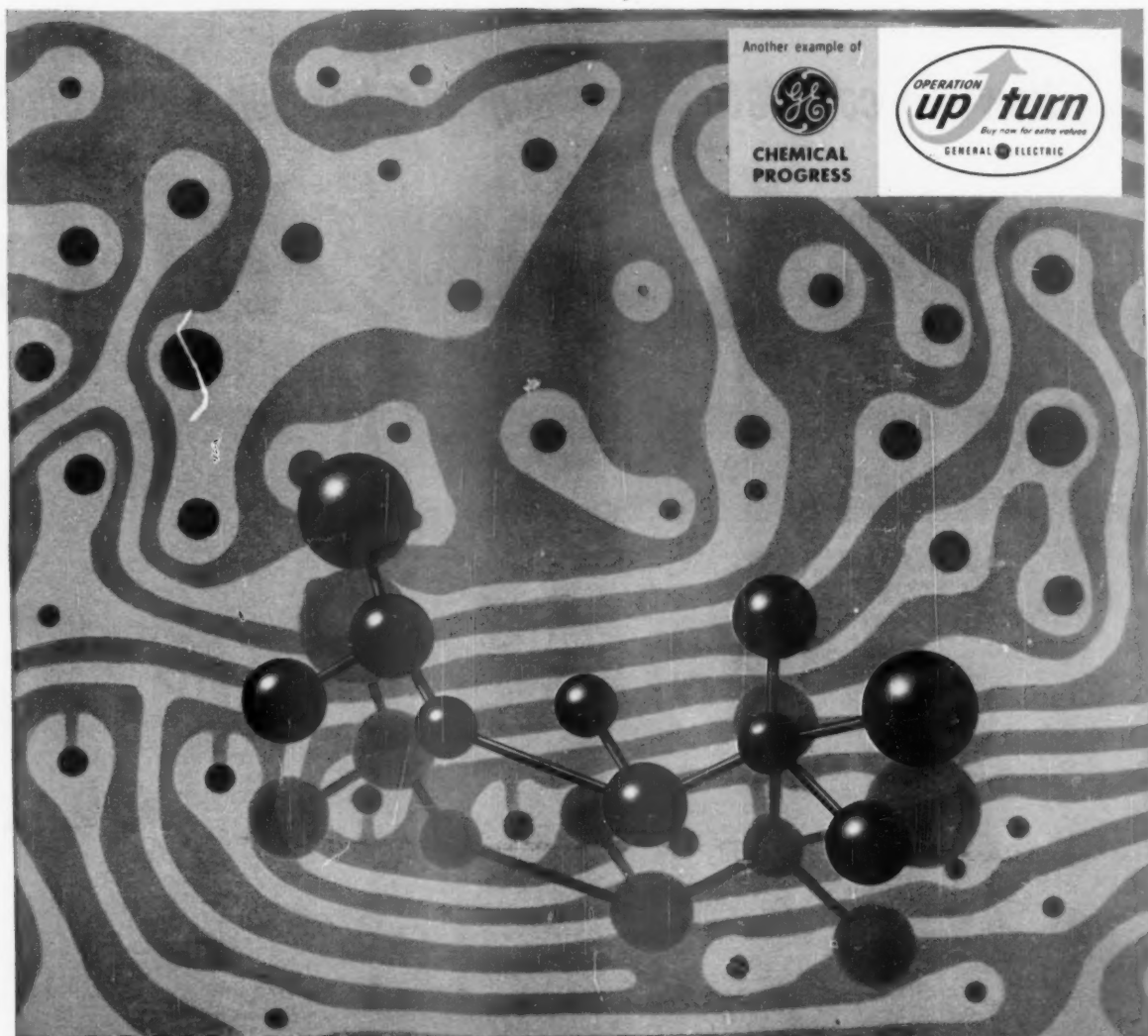
Dear Sir:

While reading the article Nation-wide Boom in High-Rent Apartments [BW—Aug. 16 '58, p26], we were startled by the statement "F. W. Dodge Corporation said two weeks ago that apartment contract awards in June alone totaled \$658-million, a 25% gain over the same month in 1957. . . ."

Actually, the dollar volume of contracts for apartment buildings in June, 1958, amounted to \$126,788,000, an increase of 55% over June of 1957. . . .

DANIEL J. HOWE, JR.  
PUBLIC RELATIONS DIRECTOR  
F. W. DODGE CORP.  
NEW YORK, N. Y.

• We made two errors. What we meant to say was that awards for the six-month period amounted to \$695-million. This was a 25% gain over the comparable period in 1957.



# HOW CHEMISTRY AUTOMATES PRINTED CIRCUIT ASSEMBLIES

*New G-E plastic laminates that withstand 500°F molten solder bath are helping radio and electronic makers put printed circuit assembly lines on a completely automated basis.*

These copper-clad laminates are a development of General Electric chemical research. They have exceptionally good heat stability, high insulation resistance and can be precision punched at room temperature. Because the laminates won't blister at high temperatures, several manufacturers have been able to set up completely automated lines in which the printed circuits — with component leads inserted — are assembled by quick dipping in molten solder. One leading maker of

car radios was able to reduce assembly time from 45 minutes to less than three minutes by switching to a heat-resistant G-E copper-clad laminate.

Through chemical research, General Electric has developed many new materials that can help you improve your product or process. For information on G-E copper-clad laminates, write Dept. LPD, CHEMICAL and METALLURGICAL DIVISION, General Electric Company, Coshocton, Ohio.

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**GENERAL  ELECTRIC**

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*Now—a completely new shipping box for wet products*

# New **M/R**

This actual underwater photograph shows the strength of new M/R corrugated boxes. Regular corrugated box (left) collapsed in nine minutes under one concrete block. M/R box (right) stayed strong and firm under two blocks—was still standing straight after one hour.





*stays strong when wet...even under water!*

# Corrugated Boxes

Here's important news for you about a revolutionary new moisture resistant corrugated box material: Hinde & Dauch's amazing M/R board. M/R stays strong and firm even when dripping wet!

Actual tests in produce hydro-coolers have proved M/R corrugated boxes strong and durable for all kinds of wet applications. M/R board keeps its strength no matter how wet the product it protects. And these money saving boxes are in production, ready for your use now.

**Switch to M/R corrugated boxes. Get all these advantages:**

**BETTER APPEARANCE**—With M/R you can brand your merchandise with colorful, attractive printing. Your boxes look better, make a better impression on your customers.

**BETTER PROTECTION**—Your product gets to market fresh and perfect in strong, smooth M/R boxes. For example, initial tests indicate shipping damage to peaches reduced 50% by M/R boxes.

**SAVE SPACE AND TIME**—You save warehouse space because M/R boxes come to you knocked down. They're simple to set up—save you packing and handling time.

**BETTER STACKING**—M/R boxes stack high and straight, give you more payload, better protection against shipping damage because the box, not the product, supports the weight of those stacked above.

Hinde & Dauch Package Engineers are ready to design an M/R box for your product. You'll find the cost surprisingly low—the savings amazingly high. Send coupon below for samples and details about new M/R corrugated board.

***HINDE & DAUCH***

Division of West Virginia Pulp and Paper Company

15 FACTORIES • 42 SALES OFFICES  
AUTHORITY ON PACKAGING • SANDUSKY, OHIO



**HINDE & DAUCH**

Division of West Virginia Pulp and Paper Company  
5801 Decatur Street  
Sandusky, Ohio

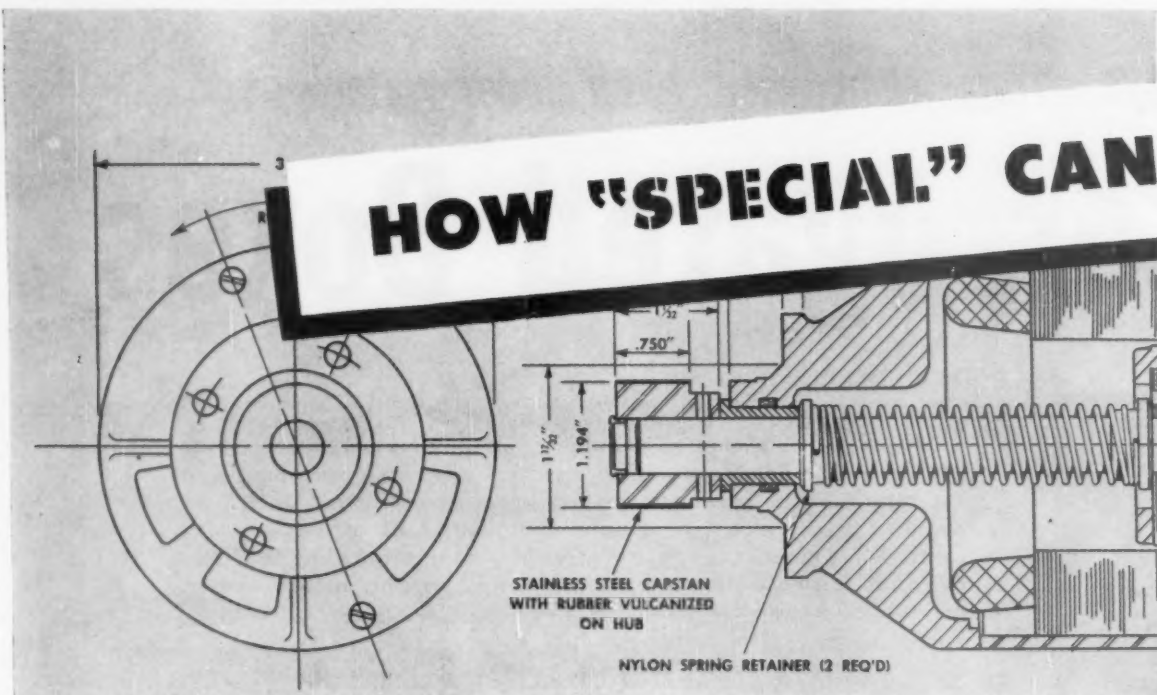
Please rush me samples and detailed literature on new M/R corrugated board.

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_



# HOW "SPECIAL" CAN

## SPECIAL ROBBINS

### capstan motors

### function



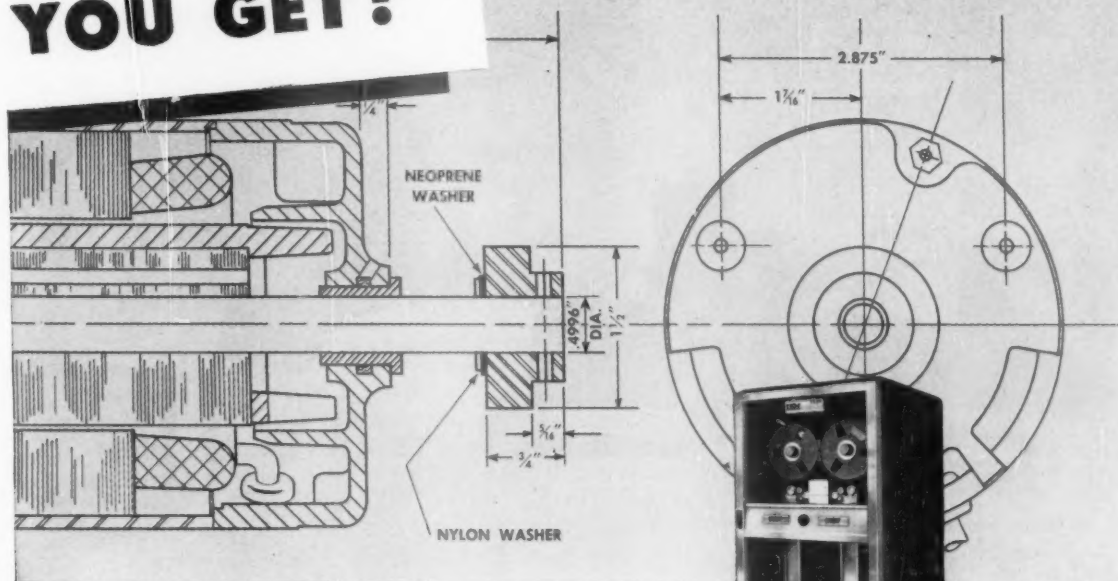
#### SPECIFICATIONS

Reluctance synchronous motor, 1/20 HP, 60 cycle, 3 phase, 208 volts  $\pm$  8%, 1200 RPM . . . Rotor dynamically balanced to commercial specifications . . . Shaft is shown in position when motor is stopped . . . When motor is running at synchronous speed, a minimum axial force of 350 grams is required with spring in place before displacement occurs . . . When rotor is in its retracted position and power is applied, the minimum axial force developed with spring in place is 100 grams . . . When power is cut off, the spring retracts the rotor with minimum 50 gram force while rotor is rotating.

*Robbins & Myers  
builds motors from*

*1/200 to 200 horsepower*

# YOU GET?



## & MYERS accomplish unique in IBM'S 727 magnetic tape unit!

**SHAFT  
ROTATES  
AND  
MOVES  
AXIALLY**

Two of these special R&M motors are used in each of IBM's 727 Magnetic Tape Units. They answer IBM's need for a tape unit drive motor with a retractable capstan. The rotating shaft moves axially when the motor is started or stopped.

A spring holds the rotor, shaft and capstan in retracted position when the motor is stopped. When started, as the motor attains synchronous speed, axial force created as the rotor centers itself in the field becomes sufficient to overcome spring resistance. The capstan moves into engaged position and sends the tape reels rolling. Another capstan on the opposite end of the shaft (at

right in drawing) actuates two micro-switches as the rotor returns to retracted position when motor is stopped.

Four additional R&M fractional horsepower motors perform other high-speed power tasks within the tape units—driving reels, rewinding, unloading tape and retracting guide mechanisms.

R&M motors meet strict IBM engineering requirements: precise adaptability to special functions, capacity for lightning starts and stops, and absolute dependability. R&M can also design and build motors of highest quality designed to your exact specifications. For reliable fractional power, contact Robbins & Myers!



**ROBBINS & MYERS, INC.**  
SPRINGFIELD, OHIO      BRANTFORD, ONTARIO



MOTORS



FANS



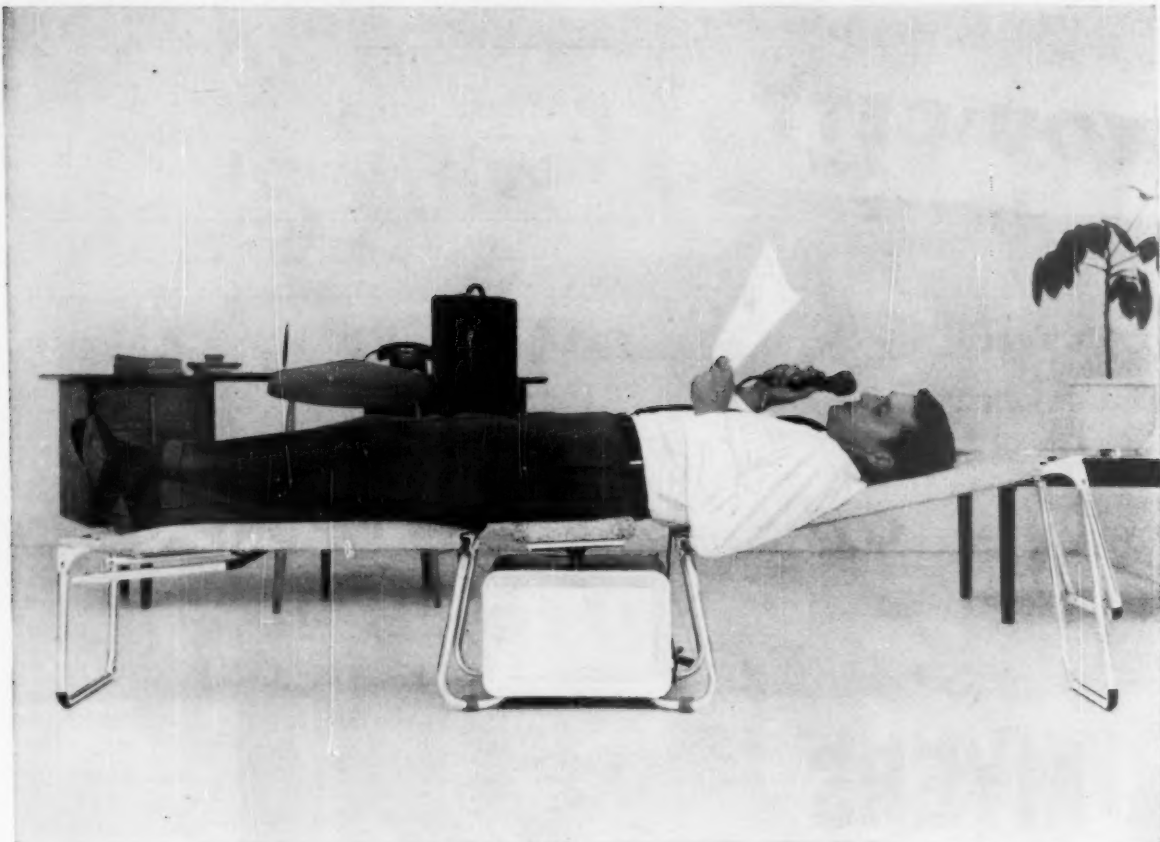
HOISTS



MOYNO PUMPS



PROPELLAIR FANS



## How Management Can Combat "Executive Tension"

Today, with top-flight executives in short supply, it is vitally important for American business and industry to keep key men fit, "on top" of their jobs.

A GROWING PROBLEM for Management is that of executives who are becoming overwrought—probably overweight—and losing their grip on their jobs. They're experienced, expensive to replace...and their health is of real concern to their firms.

Tied to their desks, today's executives are often unable to get regularly the exercise essential to good health. They build nervous tensions while adding dangerous pounds to their weight. Or they become "weekend athletes"—cramming all their exercise into a day or two of violent activity that could seriously strain their hearts.

Happily, there is now a way to help avoid these dangers. It's the Stauffer Executive Fitness Program...the modern way to:

Get essential exercise effortlessly... without fatigue.

Ease away the normal muscular and nervous tensions that a person

builds up during a hectic business day.

Help to get rid of unsightly and unhealthy flabbiness...help achieve a physique without stoop, paunch and sag.

All this is accomplished with the help of the unique Office Gym®. Perfected at the famous Stauffer Laboratories, it is the heart of the Stauffer Executive Fitness Program of effortless exercise and calorie reduction.

You simply lie down on the Office Gym and let it go to work—gently exercising you while you relax. No need to undress; just take off your coat, kick off your shoes. If business has to intrude, you can use the time profitably in dictation or in reading business reports or summaries.

A half hour on the Office Gym provides daily exercise—importantly, without fatigue. Executives report that this exercise makes them feel

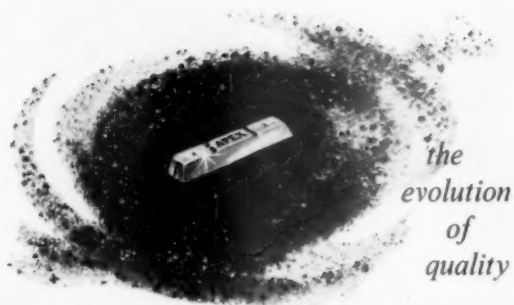
wonderfully relaxed. They say an Office Gym session—at home, or in their office—can be one of the day's most pleasant periods.

Consistent use of this effortless exercise, along with calorie reduction, helps reduce excess weight and restore a trim physique without starvation diet or strenuous exercise.

The Office Gym is completely portable, weighing but 32 pounds. It can be stored in small closet space, and is ready for use—in your home or in your office—in seconds. Furnishing of Office Gyms to executives, in a health program, would, of course, be tax deductible.

If you would like further information about the Stauffer Executive Fitness Program, and how it can be of value to your firm in helping keep executives fit and on top of their jobs, write: Stauffer Executive Fitness Program, Dept. B-98, 1919 Vineburn, Los Angeles 32, California.





*the  
evolution  
of  
quality*

## HOW ALUMINUM CONTRIBUTES TO THE BEST CARS EVER BUILT

The superb automobile you drive today is an unprecedented package of power and beauty, comfort and performance. And more and more you find it relying on aluminum.

Every car now made in the United States has aluminum in its makeup, often in new applications that foretell the shape of aluminum things to come. In just three years automotive use of this versatile metal has increased an amazing 250 per cent. This year's cars are employing 29 per cent more than did the 1957 models. And there's much, much more ahead as the industry steps up its development of lighter automobile weight,

better balance, greater maneuverability, higher gas mileage, resistance to rust and corrosion—through aluminum.

Apex is a significant name in this dynamic automotive market. Apex aluminum alloys are in every U.S. car for '58, filling a substantial share of today's automotive demand. Tomorrow they'll contribute in even greater volume as established Apex leadership in research and production provides the basic stuff of automotive advancement.

When you ride in the best cars ever built, you ride with Apex aluminum alloys—more and more.

### **APEX SMELTING COMPANY**

Producers of ALUMINUM, MAGNESIUM AND ZINC ALLOYS

CHICAGO 12    CLEVELAND 5    LONG BEACH 10, CAL.  
SPRINGFIELD, OREGON (National Metallurgical Corp.)



*Research  
leadership  
back of  
every ingot*

Your products may also be produced better and more efficiently with the help of aluminum castings. Apex Smelting and the companies it serves in the die casting and foundry industry stand ready to assist you and your engineers.





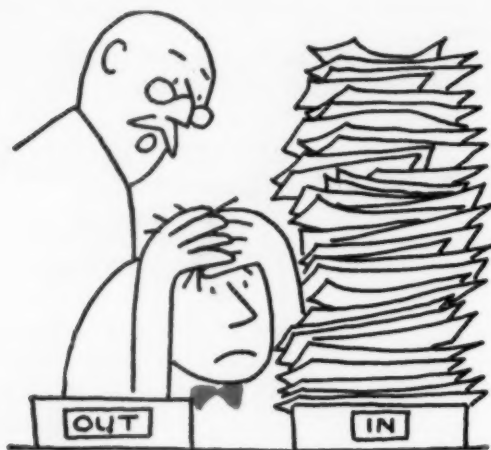
1.

Dave Cleary did a good day's work, no idle shirker he—  
The boss allowed he'd seldom seen such sheer efficiency.  
Besides, our hero saved his cash and promptly paid each bill;  
Until his wife stepped on some ice and took a nasty spill.



2.

Then bills poured in for doctor, surgeon, semi-private room—  
And ate his lifetime savings up and plunged him into gloom.  
Poor David worried all day long and in his desperate state  
He couldn't think about his work while thinking of his mate.



3.

The boss saw Dave's unhappy mood and said, on learning why,  
"The Travelers Major Medical—that's what I'd better buy.  
The Travelers can't stop illness but they *can* prevent the pain  
Of paying all those crushing bills that multiply the strain."



4.

Now Dave and all the other men are free from money cares;  
Travelers pays the heavy bills in answer to their prayers.  
Group Major Medical with Travelers—what a perfect plan!  
Time's a-wasting—telephone your trusty Travelers man.



# THE TRAVELERS

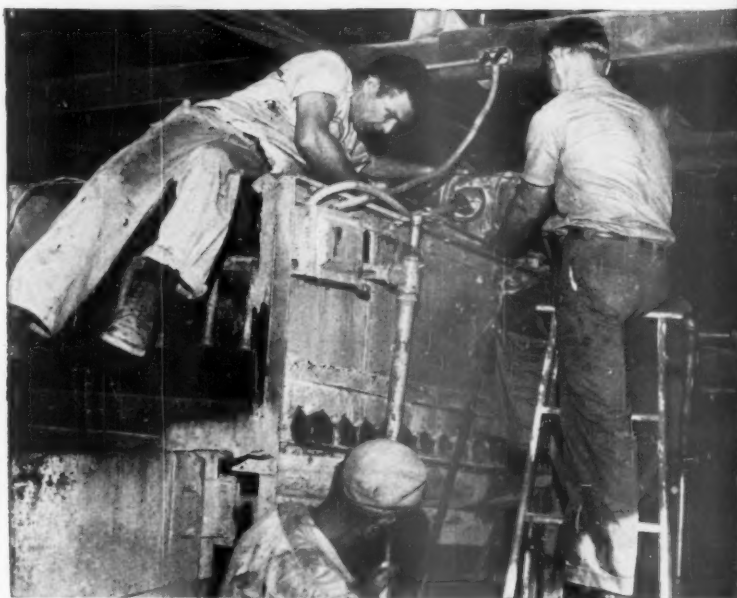
## Insurance Companies

HARTFORD 16, CONNECTICUT

All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds



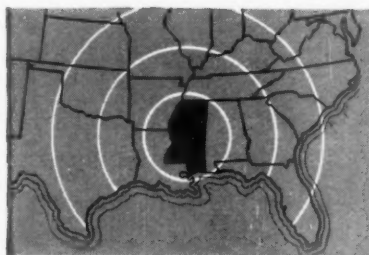
# Know Growing Mississippi



## Room for Business



## Time for Living



Industry profits best where the opportunities for good living match the opportunities for doing business. In both these advantages, Mississippi measures up. Take weather, for example. Average temperature is 64.5. Snowfall averages less than one day per year. No need to worry about costly plant shutdowns or worker absenteeism due to bad weather. Pleasant, year-round recreational activities add an extra measure of

happiness to life in Mississippi.

Mississippi's famed Balance Agriculture With Industry program (BAWI) can finance your new plant in a community of your own choosing, as well as grant you tax exemptions of five to ten years.

Let Mississippi share with you the good business climate and pleasant living that make it **America's No. 1 state of industrial opportunity.**

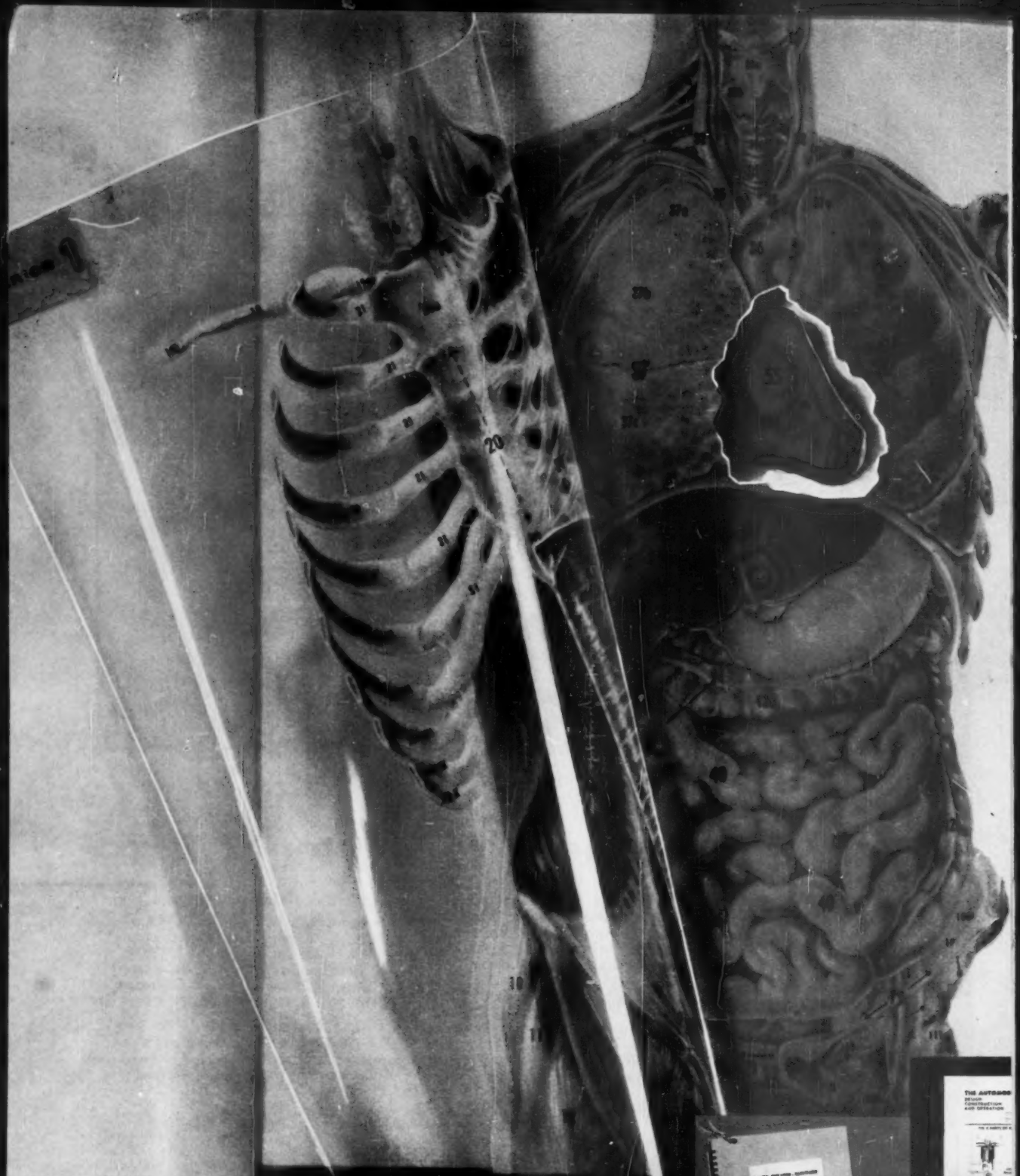
### HOW'S THE WEATHER IN MISSISSIPPI?

Average rainfall - - - - 50 inches  
Average max. temp. - 77.4 degrees  
Average min. temp. - 54.4 degrees  
Average growing season -  
241 frost-free days per year  
Average humidity -  
at 7:30 a.m. - 87%  
at 1:30 p.m. - 54%

### STAKE YOUR FUTURE IN GROWING

# Mississippi

Executives are invited to write on their letterhead for beautiful full-color brochure describing the modern, exciting Mississippi of today. Address your request to Mississippi Agricultural and Industrial Board, Jackson, Mississippi.



- M. trapezius (1)
- M. sternocleidomastoideus (2)
- M. sternohyoideus (3)
- M. deltoideus (4)
- M. pectoralis major (5)
- M. pectoralis minor (6)
- M. serratus anterior (7)
- M. latissimus dorsi (8)
- M. rectus abdominis (9)
- M. external oblique (10)
- M. internal oblique (11)
- M. transversus abdominis (12)
- M. pyramidalis (13)
- M. iliopsoas (14)
- M. iliacus (15)
- M. gluteus maximus (16)
- M. gluteus medius (17)
- M. gluteus minimus (18)
- M. tensor fasciae latae (19)
- M. sartorius (20)

Glandulae thyroideae  
M. thyrohyoideus  
M. thyrohyoideus  
19





# "Trans-Vision"

gets to the heart of the story

on CELANESE ACETATE FILM

"Trans-Vision" uses the transparency and superb printability of Celanese Acetate Film to create its educational magic. Celanese Acetate has the dimensional stability to produce perfectly matched and registered impressions. Its natural flatness and freedom from cockling make each page overlay build up to an accurate composite illustration.

"Trans-Vision's" page-by-page (front and back) dissection technique can simplify the most complicated three dimensional subject . . . remove the mystery of what's beneath the surface . . . reveal and emphasize features that are normally hidden and difficult to explain.

It has helped medical men explain and describe complex anatomy easily and simply. It has simplified and speeded industrial training courses. It has helped sell new colors for automobiles on the one hand, and built-up roofing on the other. Truly, "Trans-Vision" is dimensional magic on Celanese Transparent Acetate Film.

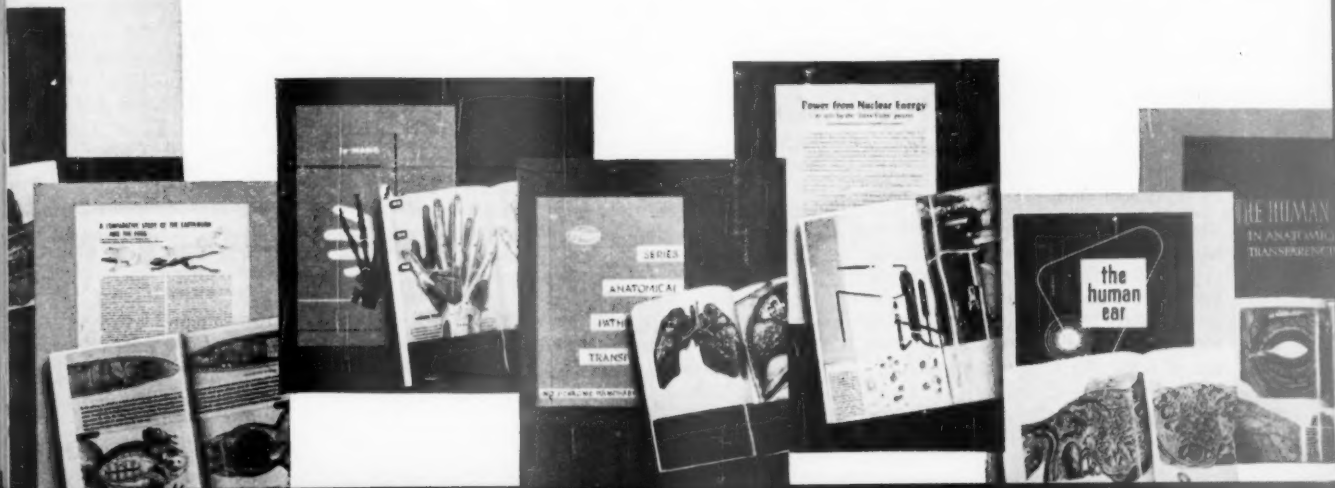
**In the graphic arts . . . in packaging, Transparent Celanese Acetate Film has the qualities that make for superior end results.**

Celanese Corporation of America, Plastics Division, Dept. 129-S, 744 Broad Street, Newark 2, N. J., producers of Fortiflex, Forticel and Acetate plastics . . . Polyvinyl Acetate and Polyester Resins . . . Transparent Films and Sheet.

Canadian affiliate: Canadian Chemical Co., Limited, Montreal, Toronto, Vancouver.  
Export Sales: Amcel Co., Inc., and Pan Amcel Co., Inc., 180 Madison Avenue, New York 16, N. Y.

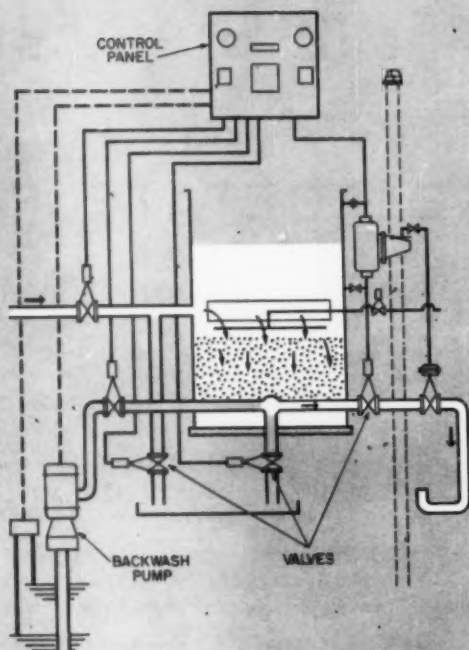
"Trans-Vision" is a registered trade mark of Milprint, Inc., Milwaukee  
Celanese® Forticel® Fortiflex®

Acetate... *Celanese* transparent film



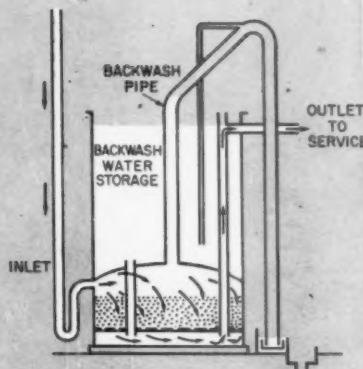
CONVENTIONAL gravity filter and hydraulic controls for automatic operation. Approximate installed cost of a unit that will filter 500,000 gallons per day:

**\$21,700.00**



NEW PERMUTIT VALVELESS Gravity Filter. Completely automatic operation. Approximate installed cost of a 500,000 gpd unit:

**\$11,900.00**



**HOW IT WORKS:** As dirt collects on the sand, increased head pressure slowly raises the water level in the large backwash pipe. See diagram. When it spills into the downward section of the pipe, it starts a siphon (backwash) flow that draws water down from the Storage area and up through the sand, "floating" dirt off to waste. When backwash water is gone, air enters the small tube and stops the siphon. Flow through the sand reverses and the first filtered water (rinse water) goes to Storage area until full. All flow then runs to Service.

## **New Valveless Water Filter Saves \$\$ for Industries, Cities, Electric Companies**

● Big water users like city water departments, steam stations, refineries, chemical plants and paper mills can substantially reduce the cost of their water-conditioning equipment and its operation and maintenance . . . by adopting a new automatic Valveless Filter developed by engineers of the Permutit Company (N. Y.).

The simplified design makes ingenious use of the siphon and other hydraulic principles to replace expensive valves, flow controllers, pumps and hydraulic or pneumatic control systems. The design also prevents wasteful, excessive use of water for backwashing or rins-

ing. Tanks are shipped set-up to reduce installation costs. The absence of moving parts virtually eliminates maintenance costs.

The Valveless Filter produces uniform, high-quality water. It cannot be "forced." Backwashing or rinsing cannot be too little or too late . . . or accidentally run to Service. And the filter cannot develop common troubles like "cracked" or "upset" beds, "channeling" or "mudballs."

Single Valveless Filters or multiple units for any volume requirement are available. Present installations include

units for industrial plants treating water for both process and drinking.

Send for free descriptive bulletin, Address: The Permutit Company, Dept. BW-9, 50 West 44th St., New York 36, N. Y. or The Permutit Company of Canada, Ltd., Toronto 1, Ontario.

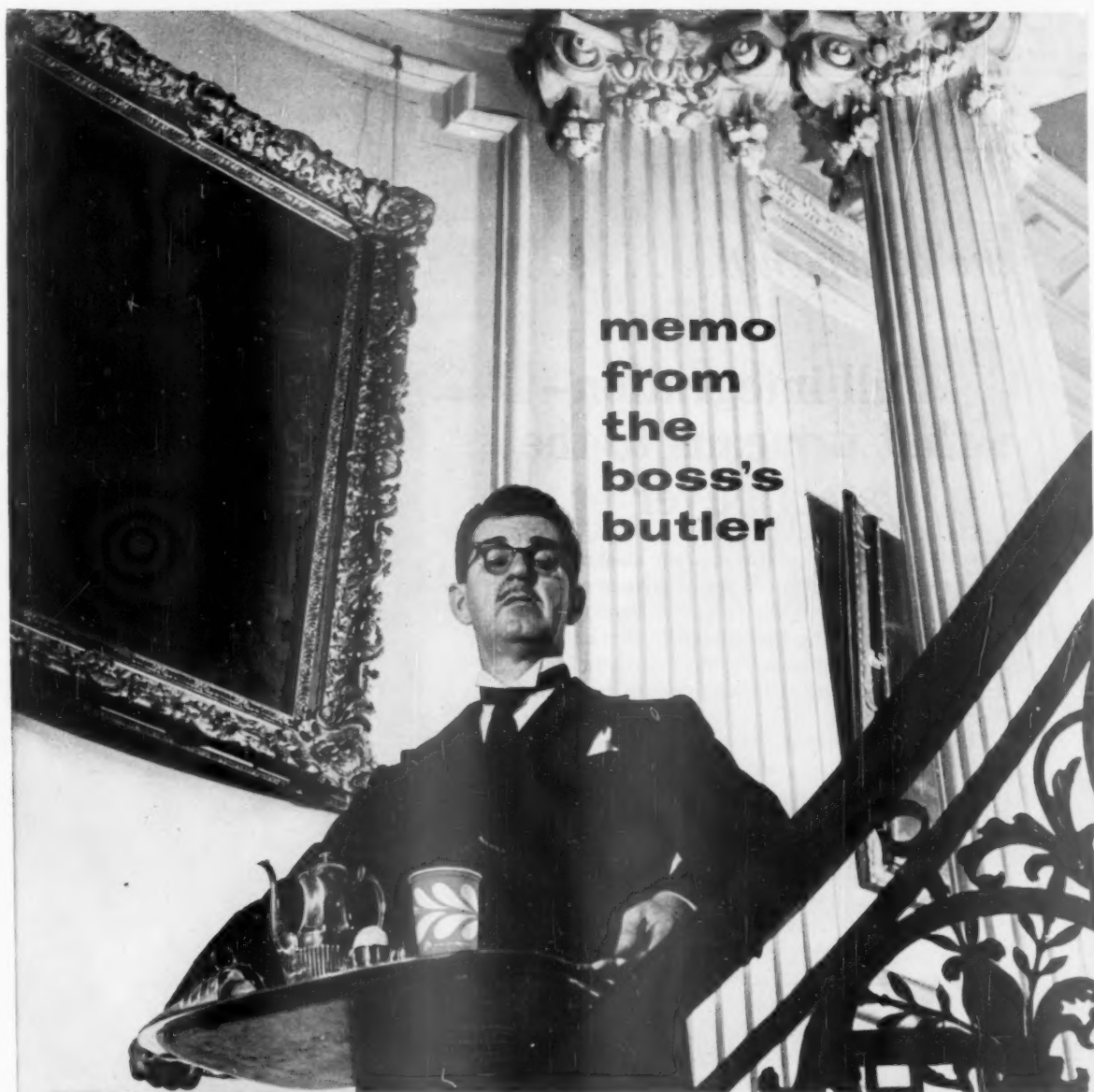
**PERMUTIT**

*rhymes with "compute it"*

a division of PFAUDLER PERMUTIT INC.

Water Conditioning

Ion Exchange • Industrial Waste Treatment



memo  
from  
the  
boss's  
butler

Sir:

Cook and I arranged this little demonstration to prove one thing—that coffee served at your business establishment could taste quite delightful if you had it served in LILY CHINA-COTE cups. THESE cups really do save the flavor of coffee, you know.

Lily\* China-Cote\* is the revolutionary new paper cup with an inner plastic coating that looks and feels like china. Saves the flavor of all hot drinks. Keeps them 10° hotter over a ten-minute period. Cup remains sturdy in the hand. Try the new China-Cote



cup yourself and you'll specify China-Cote for your company feeding operation. For free Taste Test Kit, write on your company letterhead to Lily-Tulip Cup Corporation, Dept. BW-98, 122 East 42nd Street, New York 17, New York. \*T.M. Reg. U.S. Pat. Off.

## **CRUCIBLE STEEL COMPANY OF AMERICA**

*the company . . . . . its products*

**4 of thousands**

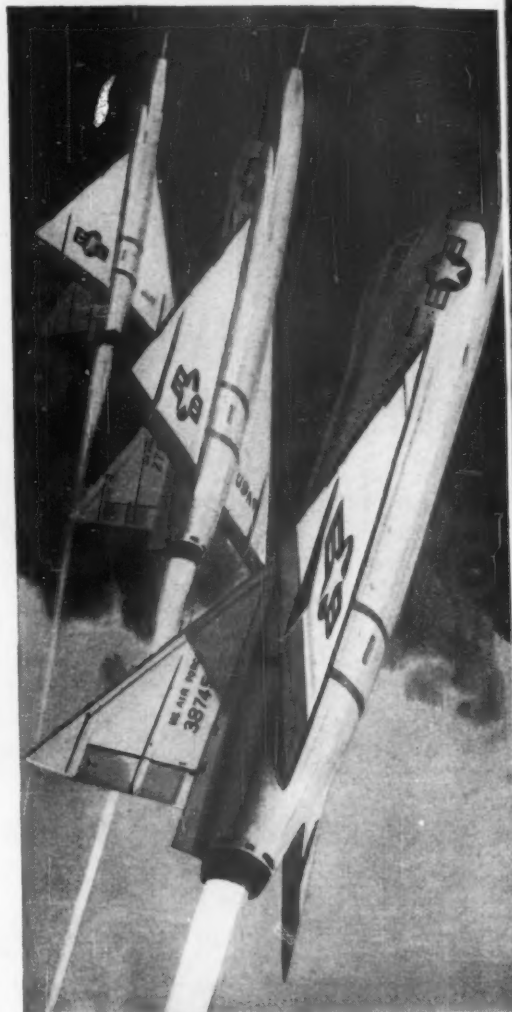
### **Full integration— what it means to the steel buyer**

Crucible is a fully integrated specialty steel producer. This means Crucible has complete control over and sole responsibility for what it sells — right from the iron ore itself to the final delivery of finished mill products. Complete integration like this means continuous, dependable deliveries, and the highest degree of uniform product quality.

Crucible's integration is complete, right to the point of use, too. For Crucible owns and operates the largest, nationwide chain of specialty steel warehouses. They are conveniently located in 27 major industrial centers from coast to coast, and more are being added regularly. Each Crucible warehouse carries large stocks of a full range of special purpose steels (see listing below).

Furthermore, Crucible's fully integrated operation encompasses an extensive research program for the development of new and improved alloys to meet the ever increasing demands of industry. And Crucible metallurgical research daily aids industry in the selection and application of special steels for special purposes to improve product performance and reduce costs of manufacture.

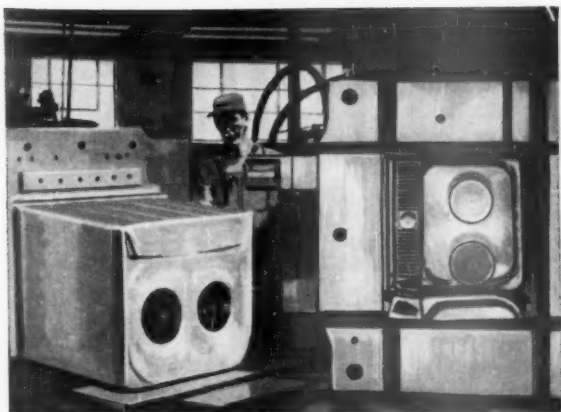
As a company, Crucible is organized to serve its customers. And its thousands of products—the most diversified line of special steels and alloys available anywhere—are unexcelled in quality. For the address of the Crucible branch office or warehouse nearest you, or for technical data on Crucible products, write to *Crucible Steel Company of America, Dept. M105, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.*



**TITANIUM SHEET** — Titanium sheet has improved the performance of many advanced aircraft. Crucible is one of the major suppliers of titanium mill products to the aviation industry. In cooperation with other industries, Crucible is actively developing new commercial markets for this very light, but strong and corrosion-resistant, metal.

**FROM CREATIVE CRUCIBLE** — the one full range of special steels: high speed; tool steel; plastic mold; stainless; free-machining, high-strength, wear-resistant and standard AISI alloys; hollow drill; agricultural discs and shapes; heavy-duty coil springs; specialty alloys; permanent magnets; precision castings; cold rolled alloy and carbon spring steels; titanium and titanium alloys; stainless and high alloy welded tubing; vacuum-melted metals.





**PLASTIC MOLD STEEL** — For molding large television cabinets, it must be clean and uniform in composition and structure. That's why Crucible CSM 2 tool steel is first choice among most mold builders. Every piece is ultrasonically inspected at the mill. And it's immediately available from Crucible warehouse stock in 205 sizes.



**PERMANENT MAGNETS** — Although widely used in electronic applications, Crucible Alnico permanent magnets are now finding their way into many different types of products from refrigerator door latches and other attractive devices to magnetos, motors, generators and numerous instruments. Crucible Alnico magnets are sand cast, shell molded, or investment cast in any shape, tolerance and finish needed — in any size from a fraction of an ounce to several hundred pounds.

**STAINLESS STEEL STRIP** — Crucible stainless steel strip is the quality standard in automotive, appliance and numerous other trim and molding applications where long-lasting life and high lustre count most. It is easy to clean and highly resistant to corrosion and wear. Crucible stainless steel strip is precision rolled and processed to your own specifications.



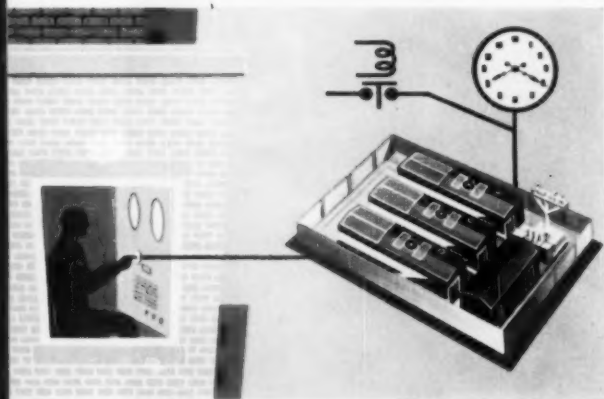
# Electro-Motive 6000 KW

*Product facts for your peaking plans—*



## 6000 KW at \$85.00 per KW\*

To perform economically its intended function, peaking equipment must naturally be low in original cost. Electro-Motive equipment meets this cost requirement. \*F.O.B. Factory.

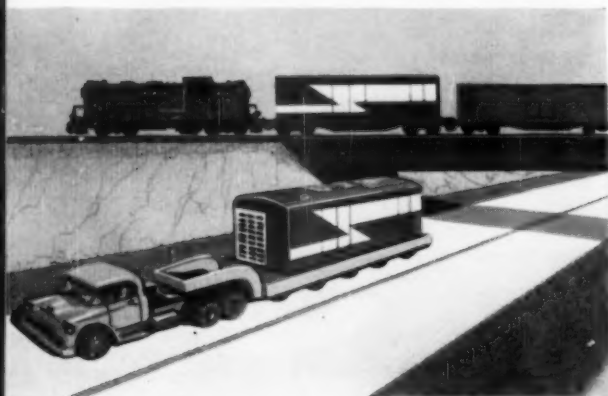


## Unattended operation

The 6000 KW Peaking and Reserve Plant operates completely unattended. An electrical impulse is all that is needed—from a time clock, dispatcher, current or voltage sensing equipment or a combination of these methods.

## Readily transportable

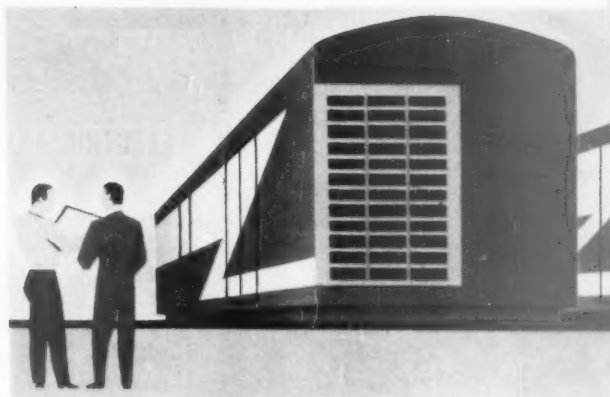
The Electro-Motive Peaking and Reserve Plant is handled much the same way as many transformers. Components are shipped on standard rail cars or highway equipment.



# Peaking and Reserve Plant

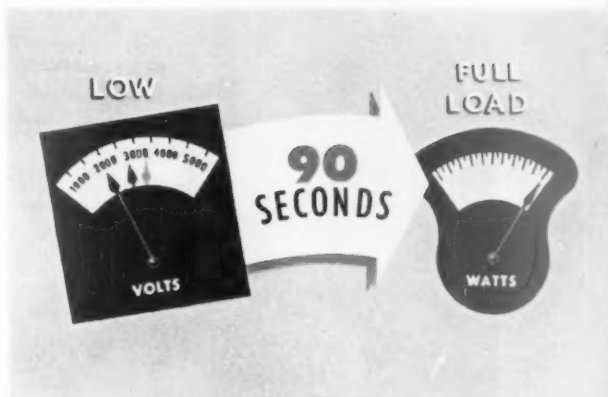
## Quiet operation

Silencing arrangements are included to fit the varying conditions under which Electro-Motive Power must operate. Thus considerable freedom can be exercised in location of the equipment.



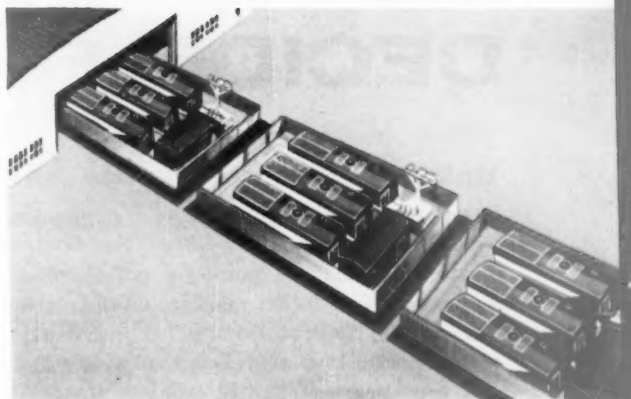
## Quick start

The Electro-Motive Peaking and Reserve Plant starts instantaneously. In a matter of seconds it is on the line at full rating, thus fulfilling the requirement for spinning reserve.



## One manufacturer

Electro-Motive Peaking Plants are designed, engineered, manufactured and serviced by Electro-Motive. There is only *one* manufacturing responsibility for the complete plant—starting from fuel input to power output.



**ELECTRO-MOTIVE DIVISION • GENERAL MOTORS**

LA GRANGE, ILLINOIS    Sales-engineering offices: Chicago, New York, St. Louis,  
San Francisco    In Canada: General Motors Diesel Limited, London, Ontario





## ELECTRIC TYPEWRITER COMPARISON CHART

	SMITH-CORONA	Brand A	Brand B	Brand C	Brand D
<b>AUTOMATIC MARGINS</b> Simple one-hand, one-step operation.	YES	NO	NO	YES	NO
<b>SIGNAL LIGHT</b> Positive visual indication if motor is ON or OFF.	YES	NO	NO	NO	NO
<b>TOTAL TABULATOR CLEAR</b> Clears all stops instantly without moving carriage.	YES	NO	NO	NO	NO
<b>ERROR CONTROL</b> Simplifies correction of errors and line justification.	YES	NO	NO	NO	NO
<b>BOTTOM MARGIN INDICATOR</b> Page Gage accurately indicates bottom margin.	YES	NO	NO	YES	NO
<b>88 CHARACTER KEYBOARD</b> Standard at no extra charge.	YES	NO	YES	NO	YES
<b>KEYBOARD SLOPE</b> Key top slanted to fit natural movements of fingers.	YES	NO	NO	NO	NO
<b>ROLL-FREE ACTION</b> Releases typebar cams with no "scuffing" action.	YES	NO	YES	NO	NO
<b>SAFETY COVER</b> Motor shuts off when cover is raised to change ribbon.	YES	NO	NO	YES	YES
<b>CUSHIONED TOUCH</b> Eliminates jar to sensitive finger tips at end of each stroke.	YES	NO	NO	NO	NO
<b>THE WORLD'S FASTEST ELECTRIC TYPEWRITER</b>	YES	NO	NO	NO	NO

# DECIDE FOR YOURSELF!

**Before you buy, compare Smith-Corona with any other electric typewriter made!**

Feature for feature, point for point, *compare* the Smith-Corona with any other machine on the market today. You'll see why the Smith-Corona is not just equal...but *superior* to every other brand! Before you buy an electric typewriter, call your nearest Smith-Corona representative, and have him demonstrate the many exclusive features that make the Smith-Corona today's *soundest* typewriter investment!

## Smith-Corona Electric





**GRINNELL INSTALLS COMPLETE SPRINKLER SYSTEM WITHOUT DISTURBING AUTOMOTIVE ASSEMBLY LINE** Grinnell Sprinkler Systems are completely engineered, whenever possible, for quick installation with a minimum of down time or disruption of normal routine. Grinnell shop-fabricates superior Grinnell-made parts — and delivers them on time to meet tight schedules. They are erected by skilled crews who specialize in sprinkler installations only. □ That's why there's a big difference in Grinnell Sprinkler installations. Big insurance savings, too . . . with reductions in premiums often 50 to 90%. For more facts, write Grinnell Company, Inc., Providence 1, Rhode Island.

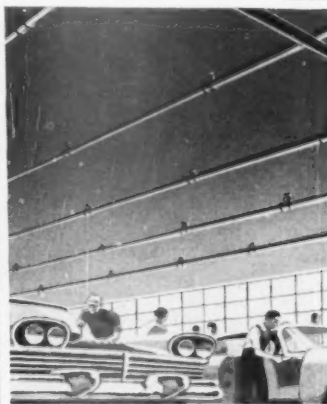
**GRINNELL**



Grinnell Duraspeed® Sprinkler is superior in speed, spray distribution and durability.



8 A.M. SATURDAY



8 A.M. MONDAY

Within 48 Hours! . . . Saturday, 8 a.m., Grinnell "task force" arrived after assembly line shutdown for week-end. Entire prefabricated sprinkler system — sprinklers, fittings, pipe hangers, valves — was expertly installed without delay, error, or cutting corners.

Without Production Loss! . . . Monday, 8 a.m., job is completed, assembly line rolling on schedule. Thanks to another Grinnell "beat-the-clock" installation, a big-three auto manufacturer got its automatic sprinkler system without losing a single hour of production!

# HOW **HERCULES** HELPS...



**PROTECT THE "FROG POND"**—This landmark on Boston's historic Common must be kept clean and fresh-looking all year round. "Ramuc" Enamel, a Parlon® (chlorinated rubber) based paint designed for constant submersion in water does the job efficiently. Manufactured by Inertol Co., Inc., Newark, N. J., the paint was last applied in May, 1957. The pool is now well along in its second year, with no repainting indicated.



**IMPROVE EXISTING PRODUCTS**—The cap and valve of this garden hose spray gun are molded with Pro-fax®, Hercules' exciting new polypropylene. Tough, durable, lightweight, and low in cost, Pro-fax is now providing many new and improved products in fields previously served by metal, wood, or glass.



**PRESERVE THE PRINTED WORD**—Billboard posters are now being protected with a coating based on EHEC, Hercules' ethyl hydroxyethyl cellulose. EHEC lacquers won't bleed the inks and yet protect the posters against extremes of weather. Its solvency in low-solvent solutions makes EHEC ideal as a film-former in numerous formulations.



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**HERCULES**

# BUSINESS OUTLOOK

BUSINESS WEEK

SEPT. 6, 1958



Consumers ought to be ready—if they're ever going to be—to resume more liberal spending on durable goods.

They have the money, they've washed down their debts, and the upturn in general business should give them the confidence

The recovery so far has been powered by government spending. But with Washington's shift toward economy, it's up to the consumer.

Idle capacity won't be put to work fully until people buy more autos, appliances, home furnishings. And business won't resume large-scale capital spending until factories are much closer to capacity.

What's needed now, in short, is to get back on the growth curve.

Finding the money for higher spending isn't the great problem for most consumers. Personal income is the highest ever.

Even in the second quarter this year—the recession's low point in terms of production—people had more money after taxes than in the same 1957 period (though slightly less than in last year's third quarter).

And total spending in the second quarter was at a record rate.

What has happened to consumer spending—as the most casual observer knows—is a steady shift in the kind of things bought.

More money, proportionately, is going into softgoods and services, less into the durables that were so popular from 1946 through 1955.

Obviously there isn't any "normal" for the portion of his income any given consumer puts into one kind of goods against another. But, with incomes rising as they are now, one thing is sure:

He would be expected to spend a reduced share on necessities and more for the desired things, like autos, which often seem out of reach.

That's probably one reason why appliances and TV already seem to be showing a pickup. And it's grounds for hope that autos will, too.

Durable goods' slump in the consumer budget is one of the very striking facts of our economic life.

- For all of 1955, people put about 14½% of after-tax income into hardgoods, and it was nearly 15% in that year's peak quarter. By contrast, only 11.6% went into durables in the second quarter this year.

- In dollar terms, people spent nearly \$40-billion on hardgoods in 1955 against \$36-billion a year now (even though spendable income now is about \$40-billion or 14% higher than it was then).

Prices of the things a person must buy to maintain a home and family are, of course, a factor in how much he may have left over for saving and for buying such things as autos, air conditioners, or furniture.

The steady rise in housing costs, transportation, personal care, and the like doubtless has been a factor in curbing other consumption

Services, which were taking less than 34% of consumers' after-tax income four years ago, now are absorbing a little over 36%.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

SEPT. 6, 1958

Perhaps, in the last analysis, confidence will play a more important part than the precise level of income in determining how people are going to budget their spending. Are they, in the next six months to a year, going to be willing to spend money they haven't earned?

Most people who study installment debt are likely to say, "yes."

There's been a \$1-billion drop in such debt so far this year. That is altogether without precedent in our postwar experience. The amount owed on autos is down \$900-million, having declined every month since last October.

People look pinched for cash (if, indeed, they are pinched at all) only in terms of a continued growth in personal loans.

These are up by nearly \$350-million since the start of 1958.

But even these figures can't be interpreted too frighteningly. This rise is much smaller than in any of the three preceding years. In fact, during the same 1957 months, a gain of over \$550-million was posted.

—•—

Greatest improvement in recent months, on the manufacturing side of the economy, is doubtless the fact that new orders have turned up.

Even more to the point, starting with June, manufacturers began to book more business than they shipped. Prior to June, that had not been the case for 17 consecutive months.

Most of industry doubtless would look ahead with greater confidence if the improved relationship of orders to sales rested more on consumer demand than on the increase in government buying.

"Too much of the force boosting factory orders and shipments traces back to easy money and increased government spending," the First National City Bank of New York notes in its September letter.

Nevertheless, the bank finds recovery to date "noteworthy not only for the sharpness of the initial rebound but also for its breadth."

—•—

Inventory liquidation now seems largely behind us except for the final cleanup of 1958-model automobiles.

And dealers are getting along well enough at clearing showrooms.

Partly due to low output (August production was only 180,000 cars, poorest month in the 1950's), the stock of 1958 cars seems to have been reduced about 200,000 last month. That would leave 450,000 to sell between now and the time that new models begin to roll in volume.

Last year, dealers still had 570,000 in the final cleanup month.

Manufacturers, over-all, had pulled their inventories below \$50-billion by midsummer. That was a reduction of \$4½-billion in 13 months—most of it during the first half of 1958.

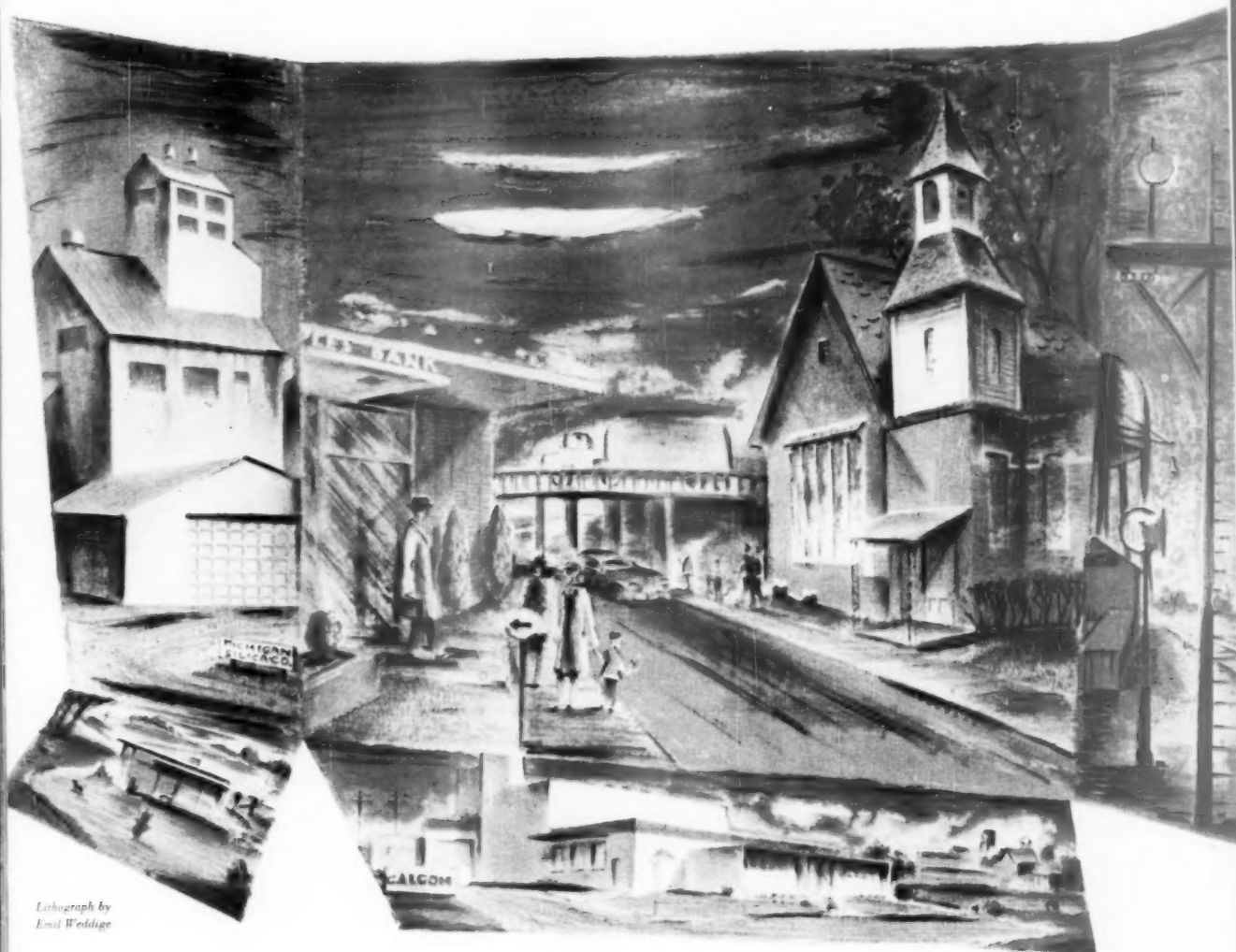
The big job, of course, had to be done by factories turning out durable goods. Their stocks now are valued at little more than \$28-billion, down by over \$3½-billion from the peak.

Durable plants' inventory-sales ratio, however, remains 2.28-1.



# ROCKWOOD:

*Another community in Southeastern Michigan has planned for industry*



*Lithograph by  
Emil Weddige*

When Wayne County's smallest village (pop. 1000) attracts a new million-dollar plant like Calgon, Inc., you can be sure that good area planning and an alert city government had a part in it. Rockwood, the village, is active and foresighted in controlling its future. To help, there is an energetic Planning Commission and a recently organized Industrial Development Committee.

Rockwood has even retained a nationally known firm of city planners. They have developed a comprehensive plan for the village so that its growth can be systematic. Over 900 acres have been set aside and protected by ordinances for new industry.

Other zoned areas provide attractive sites for 400 new homes along the scenic Huron River Drive.

Rockwood is in a huge market area. Freight flows smoothly on two major railroads and on the newly opened Detroit-Toledo Expressway which runs along the edge of the city.

Rockwood's citizens are proud of their pleasant, debt-free village. They want to see Rockwood continue to prosper through the addition of new industrial neighbors. Rockwood is only one of many Southeastern Michigan communities which are good places to live and work. We would like to tell you more.

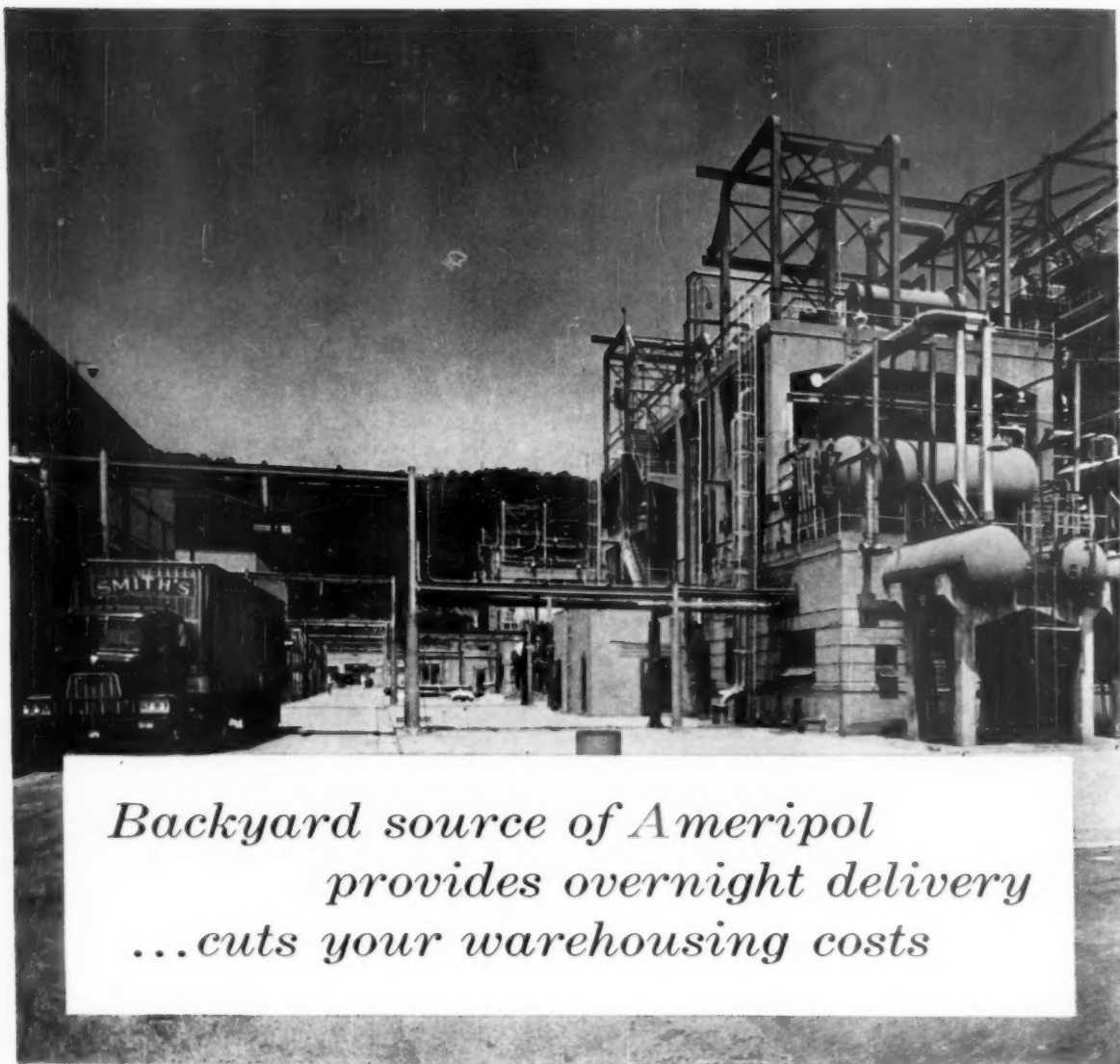
*Rockwood—progressive, alert, midway between Detroit and Toledo.*



**Write to: Plant Location Service  
Area Development Division**

**DETROIT EDISON**

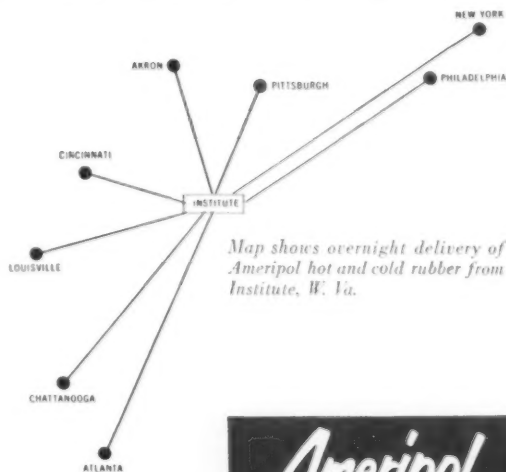
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Improving delivery to reduce your costs and trouble in obtaining cold rubber is part of the Goodrich-Gulf program to make rubber processing easier and less costly. It includes packaging improvements to cut handling costs. It includes product developments to cut processing costs. These are all reasons Ameripol has become the preferred rubber . . . examples of how your company can profit when you buy from Goodrich-Gulf Chemicals, Inc., 3121 Euclid Avenue, Cleveland 15, Ohio.



**Goodrich-Gulf Chemicals, Inc.**



# Budget Squeeze on the Pentagon

● Once again, the Defense Dept.—responsible for more than half of the federal budget—must think economy.

● The reason: the Administration's new stress on balancing the budget as part of the drive against inflation.

● Because of crises abroad and rising costs at home, the best the Pentagon can do is slow the spending increases.

"One of the government's most difficult and dangerous problems," a top Defense Dept. official said to **BUSINESS WEEK** this week, "is the growing federal deficit. We must get back to a balanced budget as fast as we can, or we'll wind up like France."

The remark came as the Administration was readying an intensive drive to cut federal spending, reduce the deficit, and thus check the inflation it believes is threatening. The Pentagon is deeply concerned with any economy wave, of course, since defense spending takes up more than half of the total budget.

Already, Pres. Eisenhower has singled out the deficit and inflation as the issues he will stress in the fall election campaign. At the same time, in the face of demands for even more military spending to overtake the Soviets, he vigorously defended U.S. preparedness as it now stands. Indeed, the President added, "in certain [defense] areas I would say we are spending too much."

• **Another Reappraisal**—This means the Pentagon has once again to appraise its operations to see where less can be spent. The outcome will probably be new delays in starting advanced projects, fewer duplications of effort, lower production rates for the newest weapons systems, and reductions in manpower both in and out of uniform.

## I. The Need to Spend

It's particularly tough for the Administration to whittle military spending right now. The Pentagon feels pressure from three directions to push its outlays up and up.

Ever since Sputnik, there have been cries that if total U.S. defenses are not already inferior to Russia's, at least the U.S. is lagging in missile development, space exploration, and other strategic fields. This argument has most recently been advanced by such out-

spoken critics as retired Lt. Gen. James Gavin and Sen. Stuart Symington (D-Mo.).

The fear that the Soviets have an edge has been exploited by the military professionals to push pet projects. And the Administration—almost regretfully—has put together plans for speeding up missile, electronic, and other key projects. As a result, this year's military spending should be close to \$41-billion, almost \$2-billion more than last year's.

Congress has done some prodding of its own. It tacked \$816-million onto this year's defense appropriation for production of more military hardware and bigger forces. Now it looks as if very little of this will be spent this year.

**Inflation itself is another force making for increased defense spending.** Production of all the expensive new military gear is costing more and more per unit. In many cases, ballistic missiles, nuclear submarines, and such are costing vastly more to develop than was originally estimated. That's why there's scare talk that the Pentagon may not be able to pay outstanding bills.

**Finally, the crises in Lebanon and Formosa are combining to push the cost of running the armed forces well over what was budgeted.** Additional forces have been deployed, tactical aircraft have been spending more time in the air, and naval units have been on the go more.

Against this backdrop, few, if any, responsible Washington officials believe defense spending can be reduced. Instead, the Pentagon's policy is to "contain" outlays this year and hold expenditures to a "reasonable increase" next year. For the services, this adds up to an economy drive without budget cutting.

• **Slower Climb**—Over the last three years, defense spending rose an average \$1.1-billion annually even though the Administration was trimming existing

programs and limiting new projects. In the frenzied first months after Sputnik, however, it seemed certain that the figure would rise at least \$2-billion annually over the next few years.

Now the rate of increase will be slowed. The Pentagon's latest official estimate of fiscal 1959 outlays is about \$40.8-billion. Until recently, most officials were admitting privately that spending would probably exceed \$41-billion for the first time in six years (BW-Jul.26'58,p18). With the new stress on economy, Defense Dept. budget men expect to hold to the \$40.8-billion figure. It will take penny-pinching to keep to this, but the Pentagon will be under pressure from both the Treasury Dept. and the Budget Bureau to come down even farther—closer to the \$39.8-billion estimate sent to Congress in January.

• **Chances for Cutting**—The chances for such a reduction are very slim. The Pentagon has already committed its \$1.3-billion supplemental appropriation for fiscal 1958—rushed through in January after Sputnik—for dispersal of Strategic Air Command bases, a speedup in ballistic missile production, missile and aircraft detection networks, and space programs. This accounts for most of the increase over the January estimate.

## II. Where to Tighten

The three services are now assembling their budget proposals for fiscal 1960, which starts next July 1. In October, the Defense comptroller and the Budget Bureau will begin to trim them down. As it looks now, total military spending in fiscal 1960 will be "slightly higher" than this year. In Pentagon terms, "slightly higher" means an increase of about \$1-billion.

Pentagon budget men say no definite ceiling has been set for next year's budget. But, as one official puts it: "Mr. McElroy is a businessman. He knows you can't run the government on a deficit indefinitely. He's been in continual discussion with the service secretaries and the senior military people on what the total government problem is. They've heard plenty of yackety-yack about the deficit. Something will be worked out in this framework."

In working something out, the Pentagon is giving the most scrutiny to these programs:

**Manpower.** The Pentagon wants to cut the Army and Marine Corps by 83,000 men to bring total active military forces to 2.5-million by next July. Congress has already criticized this plan and voted money for 55,000 extra men. But the Administration won't use the additional funds and will probably plan another cutback for next year. It would also like to slash National Guard and Army Reserve forces, but Congress is again an obstacle. It appropriated extra funds for 70,000 more guardsmen and reservists than the Pentagon wanted, made force levels mandatory with a rider to the appropriation, and will try to block any further cutbacks.

**Polaris-armed submarines.** The Navy has already invested almost \$1.3-billion in building five atomic-powered subs armed with intermediate-range ballistic missiles and in producing the Polaris missile. Congress voted more money for four additional vessels and accelerated missile output, and the Navy will seek still more money next year. However, the Pentagon is reluctant to go beyond the present schedule until the weapon system has been more thoroughly proven. Polaris won't have its first test firing until next year, and some important engineering changes are in the works for the subs.

**Atomic-powered aircraft carriers.** One ship, the 75,000-ton *Enterprise*, is already under construction, and the Navy is pressing for at least one more vessel in next year's budget. Congress refused a request for \$35-million this year for propulsion components with long lead time for a second A-carrier. Many Pentagon officials question the value of another carrier so large.

**IRBMs.** Parallel production of both the Douglas Thor, designed for the Air Force, and the Army's rival Chrysler Jupiter is still under way. Plans tentatively call for the Air Force to operate three Jupiter squadrons and seven Thor units. Keeping both missiles in production costs at least \$100-million a month. The decision to wash one out will be made shortly.

**Air defense missiles.** Here, too, there's competition, between the Army's Western Electric-Douglas Nike Hercules and the Air Force's Boeing-Westinghouse Bomarc, with ranges between 100 and 200 miles. Both of the projects will be kept alive, but unit output of each will be well under what each service wants.

**B-52 heavy bombers.** The Air Force is pleading for another wing of planes in addition to the 12 now scheduled. The Pentagon is ordering 39 more planes from Boeing to keep production going until early 1961 and equip the 12-wing force. The odds are against additional production. The Air Force also wants funds for more Boeing KC-135 jet tanker planes.

**Troop-carrier aircraft.** Congress voted an extra \$136.1-million for airlift planes, but the Army would like still more. Little, if any, of the additional funds will be spent now, and the Army's cry for more planes will go unheeded.

**Small arms production.** Many Army men want to start large-scale production of the new M-14 rifle. It would cost some \$1-billion to rearm the troops with the M-14. Realistic Army strategists know the Defense Dept. won't O.K. such an item, would prefer more money for tactical missiles and vehicles.

# Machinery

Orders are beginning to pick up, with the pump and compressor group leading the field.

For most of this year, few people have had much to cheer about in the complex business of making and selling machinery, despite a steadily rising trend in orders (chart). Most of the trade is well aware that a few big orders for a few companies can distort the most careful charting of industry health, and that for each company with a new big-dollar order—the orders that make trends—there are several that keep going by chewing up backlogs.

Just the same, in the past few weeks mounting orders have changed glumness to an outlook that ranges from general optimism to one lone case of outright exuberance. The mild view was typified by a Pittsburgh maker of mining machinery whose "improving trend in new orders" in the past two months "may mean indications of further moderate improvement in the fall months." The enthusiast—a Philadelphia distributor of heavy machinery whose orders are 10%-15% ahead of last year—said, "things are 1,000% better than they were three months ago. The gates are down."

• **Not a Flood**—Actually, no one else had found the gates down, or any flood of orders. But a score of manufacturers are convinced that they have reached a minor, but meaningful, upturn. Long resigned to a 1958 dollar volume far below 1957, many of them are satisfied with a slight upturn now, while they pin their hopes for any big moveup to 1959.

Economists, meanwhile, are watching each jiggle of the figures, hoping to get a clue to the future of business in general. For it is in machinery that the first signs of new capital spending are expected to show up.

Among the machinery makers themselves, BUSINESS WEEK reporters this week talked to dozens of companies, finding a swelling optimism, often supported by the hard facts of increased orders. Among five major groups of the industry, the makers of pumps and compressors were leading the upward turn. Behind them came the makers of motors and generators, of mining machinery and of machine tools. Even in last place—oilfield machinery and tools—there was little discouragement.

• **Buying Steel**—Some manufacturers can be pressed into admitting that they're whistling in the dark. Others are standing by their hopes and guesses by doing some ordering of their own—for steel. Chicago area steelmen say orders from the machinery makers are the highest in more than a year.



## Car Seats Catch Up With Skirt Styles

Chrysler Corp. is making a bow to fashion-conscious women in its 1959 autos, with a swivel seat designed to make possible a graceful front seat entry or exit in the new low cars—especially with the handicap of a tight skirt. The swivel seats, says Chrysler demurely, "were developed with the ladies in mind." It adds that "women may

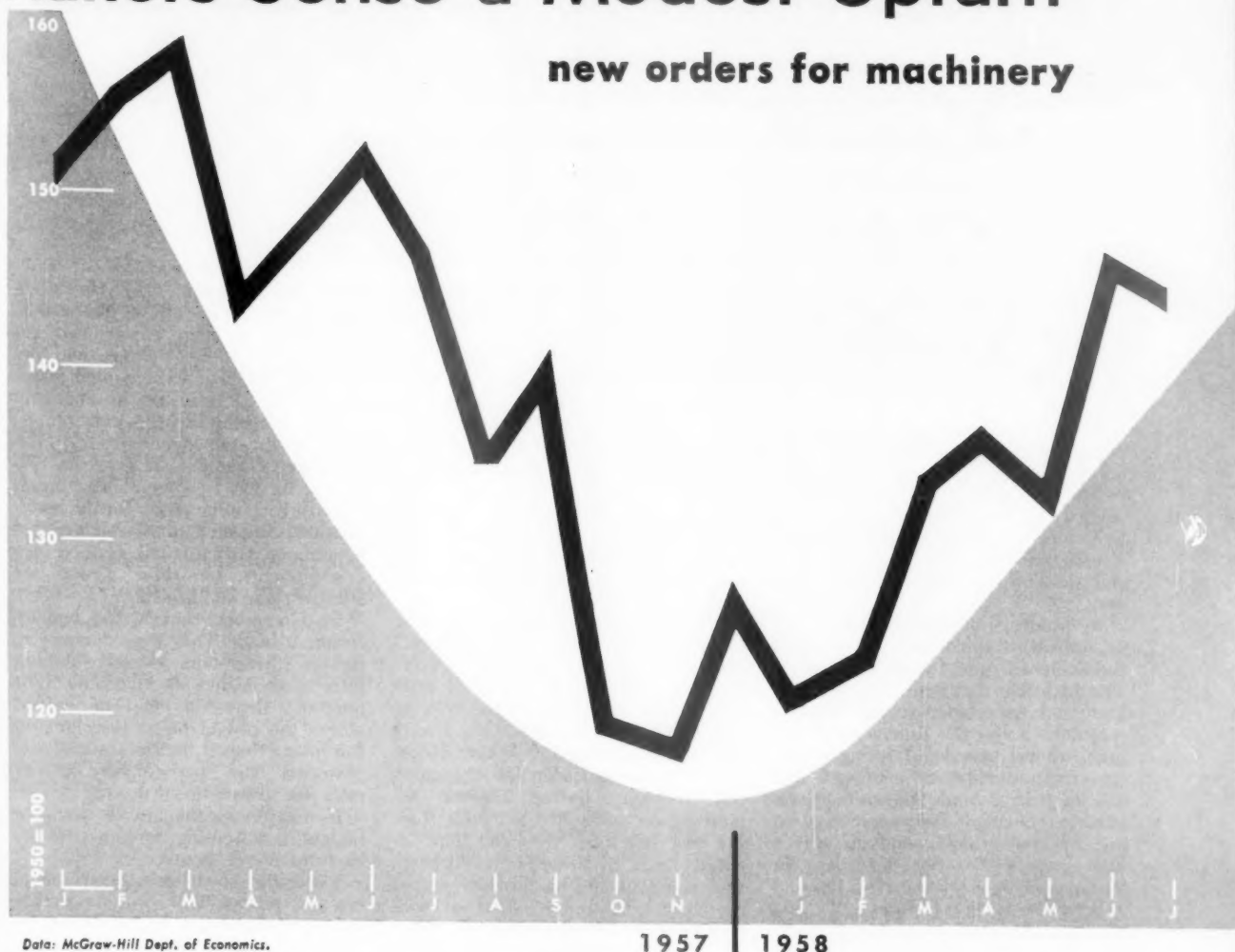
now glide in and out of automobiles gracefully while wearing any and all types of apparel."

Passengers on both right and left have individual seats that swing outward in 40-degree arcs; the middle seat is fixed. The swivels are standard on the company's higher-priced cars, optional on others.



# Makers Sense a Modest Upturn

## new orders for machinery



Data: McGraw-Hill Dept. of Economics.

1957 | 1958

Group by group, here's what the machinery makers see:

**Machine Tools.** Orders fell from \$24.7-million in June to \$22.2-million in July, but many companies see big orders from Detroit once the auto labor contracts are settled.

A Michigan company finds "July orders 100% better than June." Rather more typical was the Cleveland tool maker whose orders have risen "gradually" in the past 45 days; he found "the rise nothing startling, but it means that prospects are brightening."

**Oilfield Equipment.** Orders are up, if only slightly. A Houston company finds July orders a fraction above June, August up 5%—but it adds that "June was our lowest since 1953." Reduced oil production—hit by imports, and by home heating conversions to gas—troubles the suppliers. Says one: "There are 700 fewer rigs in operation than a year ago. You'd have holes in your head to buy new rigs with idle ones

all around." Two other suppliers, Dresser Industries and Continental-Emsco—also expect no pick-up.

**Mining Machinery.** Companies that mine and prepare coal may spend no more than \$150-million on capital equipment this year; the normal rate ranges from \$200-million to \$250-million. Still, a fourth-quarter pickup is expected, if coal production rises as some signs already indicate. Roberts & Schaefer, a supplier of preparation equipment, says it's getting contracts that have hung for months. In San Francisco, a maker of equipment for miners of both metals and coal says it has a "sizable increase in orders." Jov Mfg. Co., in Pittsburgh, says July orders are the highest since December. With a 5% increase in the past few months, an official of Jeffrey Mfg. Co., in Columbus, Ohio, says "It's nothing to stand up and cheer about, but I think we've turned the corner."

**Motors and Generators.** Consensus

in this group is that orders will continue to rise, though with no boom for some time. Most customers have been "playing it close to the vest." What rise has been felt is unevenly divided. A major manufacturer of medium-weight motors, with fairly steady orders for the past three months, thinks by 1959 there will be a rise of 6%-7%. But the shrunk utility demand for heavy motors and generators is not expected to end before next year. A brighter note is struck by St. Louis' Century Electric Co., with July motor sales "the biggest since last September."

**Pumps and Compressors.** This sector sees by far the brightest prospects. A California company says orders are "way out ahead of last year—already 15% over total 1957 sales." An Ohio company says "business is brisk and a backlog of orders is developing." More cautious is the Philadelphia maker of chemical pumps who admits to a pickup but adds it's "erratic, not steady."

# For Housing, a Jump, Then a Slowdown

● **Boost given by emergency housing legislation is expected to send 1958 housing starts past 1.1-million.**

● **But Congress' failure to pass second housing bill leaves some special programs short of funds.**

● **Tighter money, and end of par pricing for lower-cost mortgages, make shrinkage in starts likely next year.**

The government forecasters now figure that private homebuilding this year will easily hit something more than 1.1-million starts, mainly as a result of an emergency housing program that went into effect Apr. 1.

But a lot of housing areas—involving college housing, urban renewal, and other such programs—are becoming more anemic for lack of federal funds needed to keep them going. And tightening money, with resulting higher interest rates, is likely to mean a general slowdown in housing starts next year.

If private homebuilding does hit 1.1-million, as predicted, it will be a real comeback, and a triumph for those who have said that housing could be a lever to help counter general business recession. Before the Emergency Housing Law was passed last spring—lowering downpayments and pouring \$1-billion of federal funds into a mortgage purchase program—the experts figured housing starts would wind up only a little over 900,000 for this year. So housing will have taken a 20% jump.

• **Boosters**—Many features of last spring's emergency housing legislation are still effective. The law gave World War II veterans another two years—until July 25, 1960—to use favorable Veterans Administration financing for home purchases, raised interest ceilings on both VA and military housing mortgages to make them attractive to lenders, and allotted \$1-billion for government purchases of VA and Federal Housing Administration mortgages up to \$13,500 on new houses only.

In addition, it lowered downpayments for homes bought with FHA insured loans, provided \$350-million for direct loans to rural veterans, and gave the President \$500-million to use at his discretion in support of special mortgage buying programs—for such things as cooperative and urban renewal housing and, ostensibly, for the \$13,500 mortgages added by the emergency act, though the Administration is opposed to using the money for this purpose and says it will not do so.

• **Petering Out**—But behind this rosy public record, things aren't so happy. The program pumping emergency fed-

eral funds into mortgages is petering out—and Congress left town without enacting the second regular omnibus housing bill which housing officials had expected. This leaves several huge housing programs suffering for lack of their annual injection of new funds—among them college housing and urban renewal projects.

Psychologically, the defeat was a slap at a homebuilding industry that had been riding a recovery wave since March. Practically, however, it is not the homebuilders who suffer immediate hurt.

The real disappointment hits the cities and towns whose urban renewal plans are frustrated, and the colleges that must wait another year at least.

• **Split**—At the heart of the impasse over the second housing bill was a complete split between the White House and Democratic leaders on the emergency mortgage buying program. Administration policy had switched, since the first bill went through, from an anti-recession to an anti-inflation basis. The President and his advisers wanted no more of the purchase-at-par provision. They had other reasons for fighting the omnibus bill, but commitment of Treasury funds to pay the full price for \$13,500 loans was a key issue.

To the Democrats and many Republicans in Congress, however, purchases at par had become crucial. Speaker Sam Rayburn said the bill had no meat in it for homebuilders in his state if mortgage purchases at par were dropped. "It's a shotgun behind the door," he explained; even if never used, he argued the weapon persuaded private lenders to finance the FHA 5½% and VA 4½% mortgages with little or no discounting.

• **Temporary**—All this fighting took place over a program that has limited life at best. Congress had no thought of making the emergency program permanent. Main concern of the legislators was to guarantee that commitments would continue to be made for purchase of the \$13,500 mortgages at par until available funds ran out.

At the rate commitments have been issued, the \$250-million extra proposed to the House in the second bill would

not have carried the special mortgage buying much beyond October.

• **Shift**—Until Aug. 7, the Federal National Mortgage Assn. (Fanny Mae), which handles all special assistance programs, was required under an older law to pay face value for such loans. When that provision expired, the Administration was free to set the prices paid.

No change was made in par prices while the housing fight continued, right up to the last day of the session. But five days later, Fanny Mae cut its prices to 97 for VA 4½s, and 99½ for FHA 5½s. These discounted prices, agency officials say, are in line with today's market, slightly weighted in favor of the upper side.

• **Squeeze Ahead**—The end of par pricing for lower-cost mortgages means a loss of bargaining power for the homebuilders. It won't cut the number of new home starts this fall, because loan commitments for those houses are already made or assured.

By December, though, the builders foresee a bind. They expect money to tighten further, and mortgage interest rates to go higher by that time. The questions then will be: Can builders absorb the cost of bigger discounts, or can home buyers make heavy downpayments and pay higher interest rates for conventional loans?

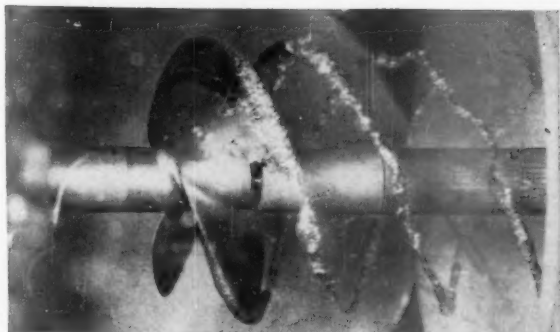
In many cases, the answers would be no, and new housing starts in 1959 are likely to shrink as a result.

• **Stiffening**—Mortgage rates are stiffening. In some states, they have already increased. In others, higher borrowing costs won't show up for about another two months—when investment committees for banks and insurance companies plan for the big November-to-February lending season.

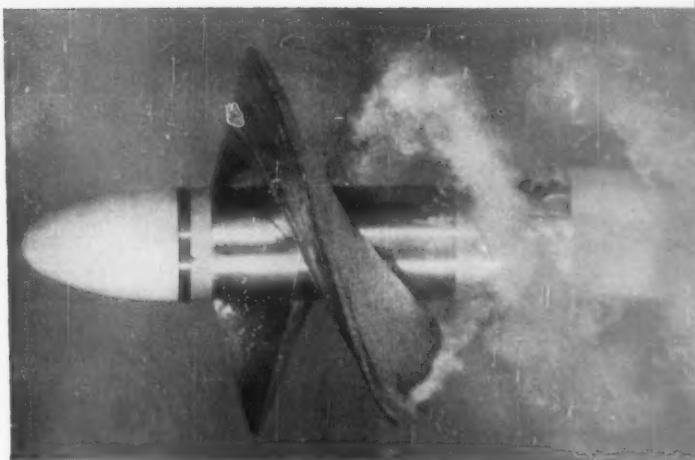
Mortgages benefited by the switch to easy money late last year; by the same token, they will suffer some as money tightens.

Normally the big lending institutions "roll over" their mortgages—that is, they use the funds accruing from their existing mortgage portfolio for new mortgages. But when there's a definite shift in money rates they tend to make shifts in investments. From November through June, they added to mortgages—and that's one reason for the present boom. Now they will tend to cut down on mortgages and go into bonds—and this will have an effect on housing starts next year.

Many big lenders are beginning to ask—and get—larger discounts on government-guaranteed mortgages. If the discount gets too wide, FHA-insured housing could suffer.



CONVENTIONAL propeller is held back by bubbles forming on blade, can't push ship as fast as newer engine speeds would allow.



NEW propeller, avoiding drag of bubbles, will push ships at twice to four times current speed.

# Fast New Speeds for the Ocean

**Navy says its new propeller will bring a speed revolution on sea—and a revolution in ship design to stand the stepped-up pace.**

When the new propeller design developed by the Navy (picture, above right) gets into use at sea, underwater and hydrofoil craft will be knifing through the ocean at fantastic speeds of 150 to 200 knots (better than 200 statute miles per hour), and more conventional surface vessels will be skimming along at 60 to 70 knots (68 to 80 miles an hour)—almost double present-day surface speeds of 30 to 40 knots.

That, at least, is the speed revolution forecast by Navy experts; the new propeller, they say, will make possible an entirely new range of speeds for surface and underwater craft of all sizes.

Only ships designed for such high speeds, in fact, will be able to make use of the new propeller.

It will also bring a revolution in ship design, for the increased speeds will require new hull designs that can withstand the pressures of traveling at such a rapid pace. The new look in ship design may call for bulges rather than the sleek lines associated with speed in today's ocean craft.

The change could be somewhat on the same principle as produced the "coke bottle" design in aircraft—with an indentation along in the middle like the one in the bottle; this boosted aircraft speed substantially, without any increase in power.

• **Obstacle**—Up to now, low propeller efficiency has been the obstacle that has prevented naval architects from designing superspeed craft. There are seagoing engines available that can produce the power required to push vessels through

the water at such advanced speeds, the Navy says—the new gas turbines can do that job quite well. These engines turn over at 6,000 to 10,000 rpm.

What prevents them from developing their full power in seagoing practice is the limitation resulting from existing propeller design. And because of that limitation, the fast-spinning engines have to be geared down to something like 200 to 400 rpm. With the new propellers, the big reduction gears can be eliminated.

• **What It Does**—The new propeller design produced by the Navy's Office of Naval Research goes by the mouth-filling name of "super-cavitating propeller." What it accomplishes can be stated simply: It utilizes to its advantage a condition that acts as a drag on a conventional propeller. How it accomplishes this, however, involves some highly technical points of hydrodynamics.

Cavitation is something that propeller designers have been fighting against for a long time. It arises because, with accelerated propeller speed, the pressure of the water drops below the pressure of vapor, and bubbles—or cavities—form on the propeller blade. As speed increases, the bubbles get bigger.

This continuous forming and breaking of bubbles destroys the "negative pressure," or the pull exerted on the forward edge of the blade—similar to the pull exerted on the top of an airplane's wing by the vacuum formed there. That leaves only the pushing action of the propeller to move the ship forward. This, of course, reduces the propeller's efficiency.

The new design—a single spiral rather than a three-bladed affair—does not attempt to eliminate cavitation. Instead, it is designed to get all of its thrust on

the after part of the propeller blade, so that destruction by cavitation of the pull forward does not affect its efficiency.

• **New Ships**—The Navy says its new propeller is "unprecedented in the past 30 years of hydrodynamics accomplishments." But it doesn't intend to start slapping the new propeller on all of its existing ships. Although there may be some conversion, generally the Navy expects to use the new propellers only on new ships—designed from scratch to take the new speeds.

One of the first uses will likely come in its hydrofoil boat program. The Navy has been testing hydrofoils—where the boat rides on a water ski arrangement—for some time, and thinks the boats have value for such things as high-speed submarine chasing.

• **Faster Subs**—Another immediate use for the propellers is on submarines.

Nuclear power and new designs have already made it possible to push subs under the water at high speeds (BW—Aug. 16 '58, p. 32). The propeller would increase these speeds—estimated at around 40 knots now.

But there's a limitation, as far as subs are concerned. The new propellers are extremely noisy. So it would only be in special cases—radar picket subs like the new Triton, for example, or the Polaris-launching submarines—that the new propellers would likely be used. With the high speeds, stealth would not be as important as moving these vessels quickly to new strategic locations.

It is too early even for the Navy experts to say exactly what changes the new propeller will bring to the fleet. But it has freed architects from what they considered a permanent bottleneck in designing ships.



# Boom in London's Silver Cellar



**SILVER** for the vaults comes from impoverished nobility and other sources. These pitchers held intermission tea at the opera.

When Liberace craved a new candelabra, he found what he wanted in London's silver vaults—an underground warren of shops hung to the rafters with an estimated \$6-million worth of sterling silver (pictures). He was only one of the thousands of bargain-hungry American tourists drawn annually to the booming basement in Chancery Lane.

Among other patrons of the vaults have been Chief Justice Earl Warren, John Steinbeck, Rita Hayworth, Ava Gardner, and Jayne Mansfield. The attraction for all was the shops' collection of bargains in antique silver, much of it from Britain's most aristocratic families.

• **Wartime Refuge**—Silver first went into the vaults during World War II for safekeeping from German bombs. Before that, the vaults had been used for legal documents. Until 1946, the merchants who had moved their stocks to Chancery Lane confined themselves to wholesale and export trade. But they went into retailing when postwar tourists got wind of the underground treasure. Since 1953, when large-scale retail dealing started, the number of shops has grown from 14 to 44.

Some "quality" silver dealers warn customers away from the vaults. The basement merchandise, they say, is in-

ferior to theirs—and not really a bargain, to boot. Replies vault dealer Barry Langford: "Low rent, no showcase windows to insure, fast turnover—that's our secret. As to quality, I'll match my George II against Bond Street's any day. We buy from the same sources."

One of the principal sources is the once-rich old English family hard hit by taxes. Family crests on many of the pieces in the vaults attest to the heirlooms they are forced to sell, whatever the heartbreak. One dealer says he makes it as hard as possible for the family. "First thing I do," he says with a trace of Cockney accent, "is tell them that I give only one price. I take plenty of time. I make faces to myself. I make noises. By the time I'm through, they almost always take my price and hope they never have to go through that again."

The dealers turn over their stock perhaps two or three times a year, at mark-ups ranging from 5% to 100%. Profits are secret, but there has never been a business failure. About 85% to 90% of the clientele consists of Americans. "This year they came in bigger numbers than ever before," says one dealer, "but they had less money to spend." Says another: "Americans are always welcome in the vaults. We find them quite lovable."



**HALLMARKS** are a clue to silver's origin. Initials of Henry Chawner, 18th-Century silversmith. Lion certifies that piece is sterling. George III's profile (right) helps place date at 1792.

**AMERICANS** make up 85% to 90% of clientele in vaults. This couple is having a tentative silver purchase weighed.







VISITORS contemplate a purchase in vault crammed with silver from floor to ceiling. Shelves once housed legal papers.



CORRIDORS lined with heavy vault doors lead to the 44 shops. Wares range from 42¢ charms to Georgian tea services at \$1,500 up.

# Integration: Not Only in School

● Economic standing of the Negro is also changing in the South, with effects as important as in the schools.

● In some cities, the Little Rock fuss has stirred animosities that check the Negro's advance, for the time being. But in most places he continues to progress.

● Among the remaining taboos: lunchrooms, restrooms, dressing rooms in stores, supervising white people.

As schools began opening across the land this week, the nation braced itself for another autumn of tension in those parts of the South where courts have ordered white and Negro children to attend class together. The air is even more charged by the suspenseful wait for next week's Supreme Court decision on the integration of Little Rock's Central High School. But the stress on school integration tends to obscure another area of importance: economic integration.

Long before the Supreme Court held in 1954 that separate but equal schoolrooms were inherently unequal, Negroes had worked with whites in the South and had patronized white stores. Gradually, the Negro has advanced in status as an employee and as a customer. Is he still making economic progress? Did the 1954 ruling or last year's strife in Little Rock break his stride?

BUSINESS WEEK reporters throughout the South this week addressed such questions to employers, retailers, and Negroes.

## I. Generally Gaining

There was no unanimity, but the sampling of cities showed a number in which the Negro continued to advance and only a few in which the events from 1954 to Little Rock checked him or set him back:

As an employee, the Negro continues to find employment in a company previously closed to him or to be elevated to a rank from which he had been excluded. In many—but far from all—cases, government contractors are involved. In many areas Negroes charge that they have been made to bear the brunt of the unemployment that the recession has produced, but the effect on the pattern of segregation has been only incidental.

As a customer, the Negro is welcome nearly everywhere. Negro women aren't yet allowed to try on dresses, but they can try on hats. Eating and rest-room facilities have generally remained separate, but most cities report that

"white" and "colored" signs are being removed from drinking fountains.

While a general uncasiness permeates the South, there are few overt incidents of friction or boycott.

## II. Employment Pattern

The employment picture for Negroes in Little Rock, surprisingly perhaps, has changed little, as far as reporters can discern in a city where people have become reluctant to speak.

Before the events of last September, Little Rock held an unusual number of job opportunities for Negroes. There had been Negro policemen for years, City Hall had been acclaimed for hiring more Negroes than any other city of Little Rock's size, large employers such as Westinghouse and U. S. Time had Negroes working side by side with whites and eating in the same lunchrooms, and white painters even worked for a Negro paint contractor.

This picture remains in Little Rock. But in not too distant Memphis, the fuss over school integration has had repercussions. All plants except a few such as International Harvester continue to segregate work forces.

● **Battleground**—At Harvester, whites and Negroes work side by side in similar jobs, but the Harvester local of the United Auto Workers has become a hotbed of hate. When a group of Negroes asked the Park Commission to integrate parks, several hundred white men—largely Harvester workers—successfully appealed for continued segregation. And the local recently irked its Negro members by moving union hall from downtown to a site near the plant—in a white neighborhood.

Similarly, Birmingham notes that the Negro made significant gains up the employment ladder through the years—until the school and college crises destroyed an improving relationship.

In the recession, Birmingham companies cut their Negro payrolls. Said one personnel man: "We made selective layoffs, keeping the best workers and laying off the lazy worker, the frequent

absentee, the chronic complainer, the troublemaker. If more whites were hired than Negroes, it is because the Negroes are the worst offenders."

A Birmingham merchant employs Negroes for such jobs as elevator operator and porter but not as clerks or office workers. "Negroes don't apply for these jobs," he explains.

● **Some Gains**—Nowhere in the South was there a significant white store with Negro sales or office help. In Washington, D. C., however, Hecht Co. and Kann's, two of the Big Five department stores, recently took on Negro clerks and a third, Lansburg's, has agreed in principle to do so.

A Miami rent collection agency began to hire Negroes two years ago, but so far has kept them in the office—not on the street making collections. "That's coming," the agency's owner said. "Maybe in two or three years. They still argue among themselves too much."

In Charlotte, N. C., you see more Negro waitresses at soda fountains. At the Scripto plant in Atlanta, Negroes have risen to supervisory positions over other Negroes, and one Negro woman has been named to the industrial relations committee.

State employment offices in Miami and Dallas report they could place more skilled Negroes than are available.

● **Legal Pressure**—Much of the impetus for hiring of Negroes by government contractors comes from the Government Contract Committee headed by Vice-Pres. Nixon. For instance, it persuaded a Maryland electronics manufacturer to hire Negroes for the first time, a South Carolina chemical plant to upgrade 300 of its 500 Negroes above unskilled levels, a North Carolina defense contractor to integrate his carpenter crews.

Herbert Hill, labor secretary for the National Assn. for the Advancement of Colored People, says Negroes have made some gains in oil, chemical, garment, and aircraft industries. But the attitude of management—and even more so of union leaders—has hardened in the past year. "Little Rock is used to whip up mass sentiment," he says.

## III. Color of Money

The Negro as a customer is accepted in more places, particularly during the recession, than the Negro as a worker. A North Carolina department store manager declares: "There is no distinction between white and Negro customers—their money is just as good as anybody else's."

Practice in most cities is to give Negro customers the same rights as everyone else, except for use of the

same restrooms and lunchrooms and the chance to try on clothes. Among all major Southern stores, Negroes point only to Neiman-Marcus, the Dallas specialty shop, as a place where they feel their business is not welcome. Even there, however, private showings are arranged for wealthy Negroes.

• **Changes in Policy**—A Virginia department store man recalls that only a few years ago hardly a store would permit Negroes to try on hats or shoes. Now few forbid it. "It just didn't seem worth bothering about any more," he says. In Miami, one retailer holds this attitude: "If a Negro wants to try on something, he's not stopped or anything like that—he's just not urged to do so."

In a number of places, the signs above drinking fountains have come down. In Memphis, Sears, Roebuck & Co. opened a new store in a white neighborhood this summer with unmarked water fountains.

Rest rooms continue to come in pairs. In North Carolina, there are places with a third pair: "Indian Men," "Indian Women."

• **Gestures of Protest**—The South customarily provides separate eating facilities for Negroes, or none. Occasionally, Negroes show they dislike the custom.

In Oklahoma City, a sitdown strike by Negro youths, led by an NAACP official, succeeded in bringing them food service at a Katz chain drug store and at an S. H. Kress variety store, but it failed at the large John A. Brown Co. department store. There, after several days of occupying most stools and booths, the Negroes found one day that white youths had beaten them to the seats. This week, NAACP called off the strike, explaining that the young people had to return to school and that outside groups would try to settle things.

Houston Negro leaders talk of staging a similar action against what is only identified as "a food service installation."

• **Equality**—Financial institutions generally say they treat Negroes equally, though Houston banks acknowledge charging a "Negro rate" that is a half a point or a full point higher, on the grounds that Negro loans are mostly small ones. Insurance remains expensive and hard for Negroes to get, especially automobile insurance—"probably due to the accident rate."

Negroes have scored advances on a number of other fronts. They ride unsegregated on public vehicles in Richmond, Miami, Greensboro, New Orleans. New housing is being built for them in Dallas. Even in Little Rock, they expect again to sit with whites during performances of the Little Rock Philharmonic and the Community Theater this season.



## Race Riots Come to Britain

"Has Little Rock Come to London?" asked a front-page banner on the London Star last Monday night. To many Britons, "Little Rock" epitomizes the violence and cruelty of racial problems everywhere. Until two weeks ago, it seemed a faraway place.

Then Nottingham, a Midlands manufacturing city of 306,000, broke the peace. There had been a few minor outbreaks—white hoodlums wielding chains, and Negroes razors or knives—as tension built up between the whites and the city's 3,000 colored residents, 400 of them unemployed now. But the first major battle broke out when two bands of colored men, many of them drunk, strolled down a pub-lined road at closing time looking for trouble.

• **"Lynch Him"**—Racial rioting soon erupted in a semi-slum area of West London called Notting Hill (picture) and continued for several nights. Hundreds of white toughs, whom British papers persist in calling "teddy boys" though many are near middle age and have long criminal records, milled around looking for Negroes.

Even while a member of Parliament was touring the area in a sound truck, appealing for "common sense, decency, and tolerance," a gang of whites spotted a Nigerian student, yelled "Lynch him," and chased him into a small grocery store, whose owner gave him refuge.

• **Economic Roots**—The cause of the of the un-British rioting is solidly economic. Since the war, 100,000 colored people from Jamaica and lesser numbers from elsewhere in the West Indies, from Nigeria, and from Pakis-

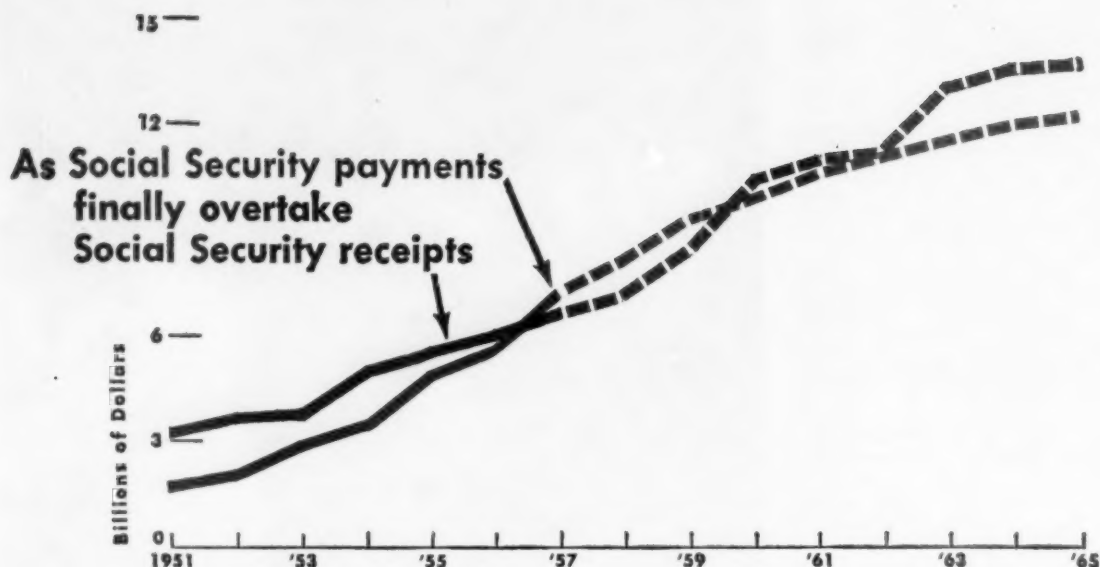
tan—some say a total of 200,000—have emigrated to Britain in search of jobs.

As long as business was booming and labor was desperately scarce, the newcomers found a welcome. Companies even sent recruiting officers to meet every immigrant ship arriving at London, Southampton, Plymouth, and Liverpool. Immigrants settled where they could, mostly in poor neighborhoods, sometimes in criminal environments.

The boom ended, but the pressure of poverty in the West Indies and West Africa continues. People go on saving up their money for the trip to England, where even a low-paying job and a room shared with 10 other colored immigrants is better than staying home. But as unemployment builds up in Britain, resentment of the newcomers is increasing, partly because the colored men are willing to take lowly work that's shunned by white men and partly because of social differences.

• **Discrimination**—Racial animosity is building up. Politicians talk of restricting immigration of colored people from Commonwealth countries—a major shift from present free movement from these areas into Britain—though in many areas large groups of Negroes live in apparent harmony with white families.

Now that blood has been shed, while the causes of violence are not abating, Britain is acutely conscious of its problem. The Manchester Guardian put it on Tuesday: "It comes as a shock to hear the ugly phrase 'Lynch him' on English lips in an English city."



### Benefits rise ...

### and ...

### so do tax rates

#### Maximum Benefits

	Old Law	BEGINNING Jan. 1959	Jan. 1964
Retired worker .....	\$108.50	\$116.00	\$127.00
Retired worker and wife over 65...	162.80	174.00	190.50
<b>Survivors:</b>			
Widow .....	81.40	87.00	95.30
Widow and one child .....	162.80	174.00	190.50
Widow and two children .....	200.00	232.00	254.10 (maximum allowable)
Widow and three children .....	200.00	254.10	254.10
Dependent parent .....	81.40	87.00	95.30
Two dependent parents .....	162.80	174.00	190.50

#### New Rates and Payments

Year	Rate for both employer and employee	Maximum payment by both employer and employee	Rate for self-employed	Maximum payment on \$4,800 income
PRESENT .....	2¼%	\$94.50	3½%	\$147
1959 .....	2½%	120	3¾%	180
1960-62 .....	3%	144	4½%	216
1963-65 .....	3½%	168	4¾%	252
1966-68 .....	4%	192	5¼%	288
1969 ON .....	4½%	216	6¾%	324

Data: Social Security Administration

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## Bigger Bite for a Bigger Payout

Social Security tax boosts beginning next year will take a big slice of incomes by 1969, to get system back on pay-as-you-go basis and keep it there, as payout burden grows heavier with hike in benefits and stepup in retirements.

The charts above show how the American people are going to have to pay higher taxes to finance an increasing total of Social Security benefits.

With the U.S. firmly committed to advancing the social welfare of its aged citizens, Social Security taxes paid both by active workers and by employers will rise sharply during the next decade. The rise will come as increasingly greater numbers of older persons retire and begin drawing benefit checks.

Social Security taxes, which amounted to \$7.3-billion in fiscal 1958, will

double by 1965 and hit almost \$20-billion by 1970—roughly half the total of the present defense budget.

To pay for this increase, and to fatten the checks of retired workers, Congress approved legislation this year stepping up Social Security taxes beginning next year (chart). Rates are scheduled to go up every three years thereafter until 1969. After the final boost, the government will be levying a 9% tax on income up to \$4,800—half to be paid by the worker and half by the employer.

• **Big Bite**—For a wage earner making

\$4,800 a year and claiming a wife and two children as exemptions, this combined tax—amounting to \$432, half of which comes out of the worker's paycheck—will exceed the income tax he pays under present law.

By 1969, a self-employed person covered by Social Security will pay one and one-half times as much as comes out of the wage earner's pay—6¾%, or \$324 on \$4,800 income.

Under present law, employers and employees pay a 2¼% tax on the first \$4,200 income, and self-employed persons 3¾%. The new law not only boosts the tax rate next year but also raises the tax base to \$4,800 of income.

• **Not Firmly Fixed**—The Senate Finance Committee, in approving the new tax schedule, indicated strongly that the Social Security tax base might have





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Here are some examples:	Day Rates (first 3 minutes) Person-to- Person	Station-to- Station	Each Added Minute (applies to all calls)
Charleston, W.Va., to Pittsburgh	\$1.00	70¢	20¢
Milwaukee to Minneapolis	\$1.40	\$1.00	25¢
Newark, N.J., to Cleveland	\$1.55	\$1.10	30¢
Boston to Chicago	\$2.25	\$1.60	45¢
Seattle to Washington, D.C.	\$3.50	\$2.50	65¢

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to be raised even higher in coming years. Future cost estimates were made on the assumption of a stable wage level. If wages continue to rise as they have been doing, the committee indicated benefit payments undoubtedly would be increased to keep pace, and this in turn probably would lead to the necessity for taxing a higher proportion of salaries.

Under the new law, rates are scheduled to be increased periodically from 1959 to 1969. But Congress in the past has frozen the tax base and rates, and presumably could do so again at some level short of that envisioned for 1969.

• **Climb in Benefits**—As it is, the rise in tax rates is accompanied by a rise in benefits.

The new law provides a 7% boost in benefits next year to 12-million persons—9.6-million retired workers; their wives, widows, and dependents; and disabled workers over 50. Congress approved the benefit hike as necessary to keep pace with the rise in living costs.

Under the new benefits table, maximum payments for a retired worker alone will increase from the present \$108.50 a month to \$116 next year; and to \$127 five years later, when workers will have built up the necessary work time under the higher tax program. Maximum family benefits are raised from \$200 to \$254.10.

The maximum rise applies to a widow with two or three children. A widow with no children goes up from the present \$81.40 to \$87 next year, and \$95.30 in 1964.

A widow with one child is in the same bracket as a retired worker and wife over 65. This bracket rises to a maximum of \$190.50 in 1964.

• **Easing Up**—The legislation makes a number of other important changes in Social Security laws. One is an easing of the so-called "work test" to allow a retired person who makes more than \$1,200 a year to earn up to \$100 in any one month without losing benefits for that month. Present law limits this to \$80.

For the first time, dependents of disabled persons will be able to draw benefits. Also, dependent parents of a deceased worker will be eligible for benefits even though there is a widow and children.

• **Surplus**—Pres. Eisenhower in signing the bill hailed it as a "significant step forward" in putting the social insurance system back on a pay-as-you-go basis. In fiscal 1958, Social Security payments ran ahead of collections. The new payments schedule is expected to return a surplus, starting in 1960 and continuing for several decades, despite the fact that an increasingly large number of persons will enter retirement as the proportion of older persons in the U.S. population rises.

## Quiz Shows Face a Question

Charges by two former contestants stir a probe into whether quizzes—one of the most popular types of TV programs—are rigged to favor certain participants.

Are television quiz shows honest? Until recently, no one bothered to ask, but at midweek, with newspapers full of charges and countercharges, this was a \$100-million question for sponsors, networks, agencies, and contestants.

The quiz show has rapidly become one of TV's most valuable program formats. Quizzes pile up big audience ratings, sell merchandise, and are relatively inexpensive to produce. Besides, since they are live programs, they generally require shorter contract commitments. For all these reasons, a TV quiz has proved the correct answer for many an advertiser—including Revlon, Pharmaceuticals, Inc., and Colgate-Palmolive. At present, the networks list 23 quiz programs on the air or ready to roll later this month—14 on National Broadcasting Co., 8 on Columbia Broadcasting System, and 1 on American Broadcasting Co. The total annual budget in time and talent comes to an estimated \$100-million.

• **Contestants Accuse**—Until the weekend of Aug. 16, almost everybody was happy with the quizzes. Then two former contestants suddenly started to talk. The resulting fusillade of charges—of program rigging, fraud, blackmail—made one of the year's most intriguing TV mysteries. And a lot of TV people were wondering how much the publicity would tarnish quiz shows in general.

The story began for the public on Aug. 16, when Colgate-Palmolive abruptly canceled Dotto, a feature by day on CBS and by night on NBC. At first, all concerned were mum as to the reason but gradually it leaked out that Edward Hilgemeier, Jr., a former contestant, had charged that when he appeared on the show, program aides gave certain contestants the correct answers to questions. When they learned of Hilgemeier's charges, Colgate and the networks killed the show. The New York District Attorney's office entered the case and began an investigation that is still in progress.

• **Stempel vs. Twenty-One**—Last week, the spotlight shifted to an even more successful program, Twenty-One. Herbert Stempel, the contestant who first lost to Charles Van Doren, told newspapers he had been regularly supplied with answers during his stint on the show—and that he had lost to Van Doren under an agreement with producers, Barry & Enright.

In rebuttal, Barry & Enright's Jack

Barry and Dan Enright summoned reporters to hear a tape recording intended to prove a case against Stempel. According to Enright, Stempel went to him in March, 1957, with a statement containing charges against the program's integrity. Stempel, Enright declared, threatened to turn the statement over to newspapers unless he was paid \$50,000. On his lawyer's advice and unbeknown to Stempel, Enright made several tapes, the most important one being of an alleged conversation with Stempel several days after the purported threat. The crucial passage, taken from a transcript of the recording:

Voice said to be Enright's: "You came in (pause) with a blackmail scheme, Friday, and I think to describe it any other way would be avoiding the issue. It was a blackmail scheme. Do you agree?" A voice said to be Stempel's: "Uh (pause) yes."

• **Legal Questions**—Details of the incident have been turned over to the District Attorney, but Enright was not sure whether he would press charges against Stempel. Meantime, Barry & Enright filed libel suits against two New York newspapers for printing Stempel's accusations. And Stempel in turn promptly denied any blackmail attempt.

Until the blackmail charge was introduced, there was some doubt whether a crime was involved, even if it turned out that shows had been rigged. The most District Attorney Frank Hogan would say was this: "If a contestant had an arrangement with a network or advertising agency whereby he got favored treatment, there might be a conspiracy to defraud the sponsors."

• **Impact on Audiences**—For networks, producers, sponsors, and the like, public reaction was as important as the law. "Publicity like this never did anything any good," summed up Robert Lewine, NBC's vice-president in charge of programming. Barry painfully recalls a booing he got at a benefit appearance in Chicago last week.

So far, sponsors of shows on the air don't believe their programs will suffer. But both sponsors and nets dread one unpleasant byproduct of the hullabaloo: a rash of law suits from disgruntled contestants. Already, New York radio station WMGM has been sued by two listeners who contend they should have won in a postcard contest the station ran.



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# In Business

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## Plane Leasing Deal with Pan Am May Give National a First in Domestic Jets

This week it seemed likely that National Airlines—instead of American Airlines, as everyone had expected—would be first with a domestic jet service.

Word in the trade is that National has signed a complicated stock-exchange agreement with Pan American World Airways. One result is that National can lease Pan Am's Boeing 707 jets for rush season New York-Miami service, starting in December. Pan Am, in turn, will lease National's Douglas DC-8 jets for the peak summer run to Europe. Miami will get 707s for three daily runs to Miami, when they aren't flying the Atlantic.

American Airlines had bought its Boeing jets intending to score a domestic first late this year, but service is not now expected to start till early next year, after National gets going.

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## Sheraton Hotels Extending Credit System To Cover Outside Restaurants, Stores

The second largest U.S. hotel chain—Sheraton—is extending its credit card service to include a comprehensive range of restaurants and stores all over the country. And Hilton Hotels, the biggest chain of all, is thinking of a similar move.

Sheraton has formed a subsidiary, Sheraton Central Credit Club, Inc., to handle its entry into the mushrooming comprehensive field (BW—Aug. 16 '58, p111). The club will charge an annual \$5 for the right to charge in its 47 hotels, and a swarm of other establishments.

Directors of the Hilton chain will soon be asked to approve a worldwide extension of the present hotel credit facilities.

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## Westinghouse Seeks Euratom Business, Reports Gain in Heat-Power Conversion

Westinghouse Electric Corp. this week announced two new moves in the scientific field.

In Geneva, the company's international arm set up a subsidiary—Westinghouse International Atomic Power Co.—to serve the nuclear needs of Euratom, and of individual countries. Clearly, Westinghouse is aiming at a substantial chunk of the 1-million-kw. nuclear capacity called for by the initial Euratom program. WIAPC has already signed manufacturing and technical agreements with companies in Belgium, Italy, and West Germany, and is dickering with one in France.

At home, Westinghouse scientists reported a major

step toward a practical means of converting heat directly into electricity—a goal long sought because it would do away with turbines and other moving parts.

A number of experimental devices have been developed in the last couple of years to accomplish this—notably by General Electric and MIT (BW—Dec. 7 '57, p117). These are based on the fact that if metals or semiconductors are heated to a very high temperature they boil electrons off their surface—which can be collected on a cooler plate and thus establish an electric current. Efficiencies have mostly been as low as 1%, though the GE device has now been worked up to about 8%.

Westinghouse says it has found a ceramic material that produces electricity when heated to several thousand degrees at an efficiency of 7%—and thinks the efficiency can be got up to 20% in a year or two. This would be comparable to the efficiency of automotive and marine engines, though well below the 40% of a central station steam turbine.

Westinghouse says no more, but outsiders understand that the material is a mixture of silicon oxides and that the heat causes a flow of current inside the material rather than just emission from the surface.

One intriguing application: to use the heat in a jet engine exhaust to generate auxiliary electricity.

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## Denver's Lost Bid for an Income Tax May Cost It Existing Revenue, Too

Denver's municipal bid to slap on an income tax to finance capital spending may end up by costing the city revenues it already has.

Last December the voters rejected the tax, but the administration hoped to try again next week. When a district court told the city it couldn't even hold the vote, the city appealed to the state Supreme Court. Then last weekend the high court not only said no vote, but added that Colorado cities can't levy income taxes under any circumstances.

To top the city's woes, this ruling also casts legal shadows on the cigarette and liquor taxes that Denver has been blithely collecting for years.

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## Mutual Life and Fire Companies Agree To Handle Each Other's Policies

Mutual fire and life insurance companies in Massachusetts and New York have long envied the trend of similar stock companies to edge into each other's business (BW—Jun. 8 '57, p.80). But state laws have barred them from the practice.

Now two mutual companies in Worcester have joined hands in a deal that they believe will satisfy the Massachusetts law. The two—State Mutual Life Assurance Co. of America and Worcester Mutual Fire Insurance Co.—stress that their unique affiliation is not a merger. But each will be able, in effect, to handle sales of the other's policies—thus offering a full line.





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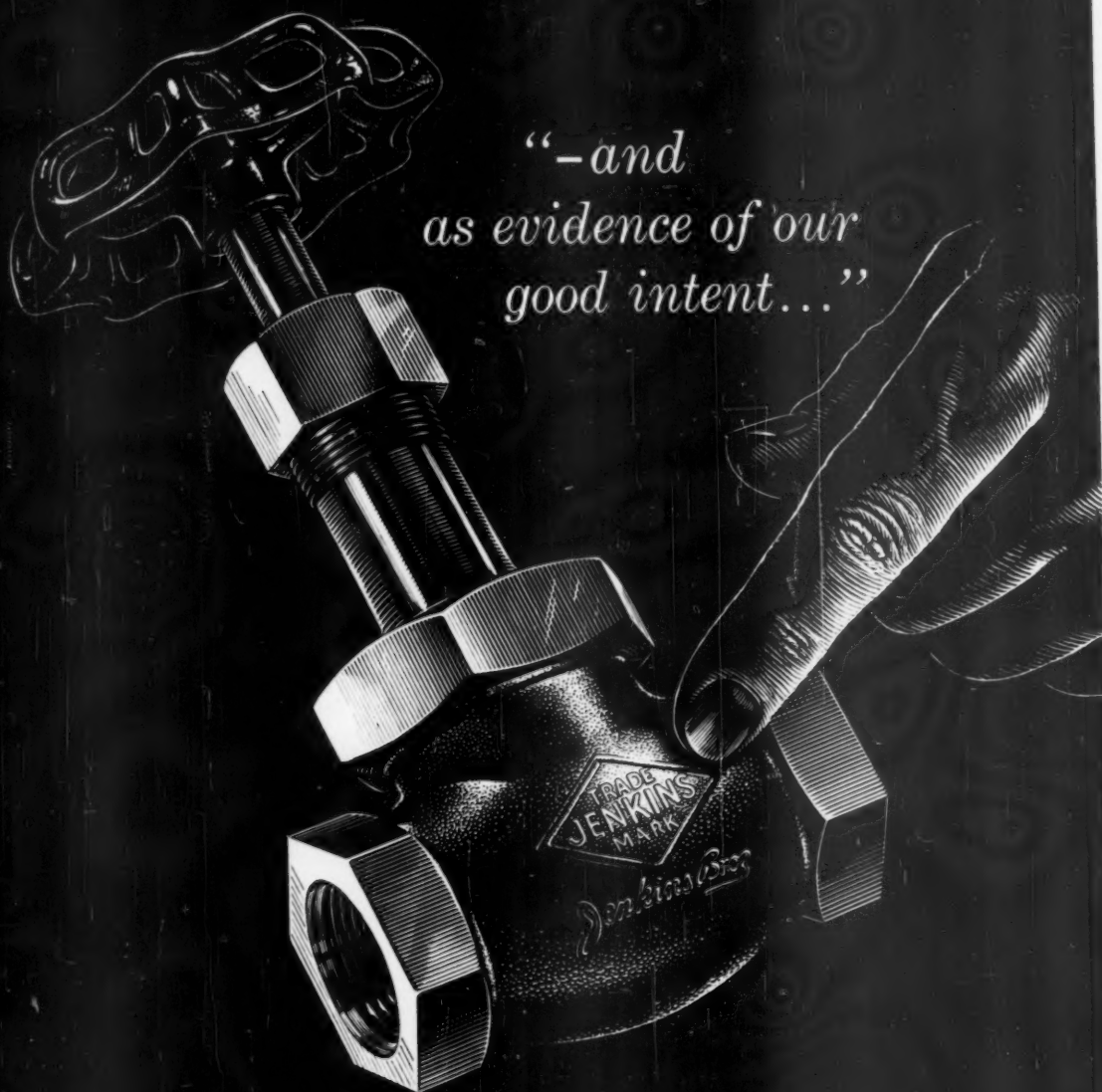
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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
SEPT. 6, 1958



There will be many changes in the next Congress, opening in January. This means new line-ups in the big, important committees that send legislation to the floors or block it. And this Congress will set the stage for the 1960 elections, when the White House, as well as Congress, will be the prize.

Some pointers as you make personal and business plans.

The trend is toward the Democrats—has been since 1952.

For perspective, look back. Eisenhower's 1952 Presidential landslide gave him a bare margin of control in both the House and Senate. This was lost in the 1954 off-year elections—Democrats took over in Congress. Eisenhower failed to turn the tide in 1956, when he scored something of a record vote for his own reelection. He wound up with a split government—the White House in GOP hands and Congress in control of the Democrats.

The prospect now is for more of the same. No qualified Washington observer expects a GOP victory in this fall's Congressional elections. All concede the Democrats net gains in both the House and Senate.

— • —

The outlook is for a big turnover in Congress whether or not the GOP makes a better November showing than is now anticipated. The point is that a record number of sitting congressmen, in both the House and the Senate, are not standing for reelection. So, regardless of the November results, you will get a major change in the make-up of Congress.

Look at these figures, and as you look at them remember that September is the deadline on state primaries:

Voluntary retirements from the House total some 33 sitting members. That's near 8% of the House membership.

Only six Democrats are quitting voluntarily—not trying for reelection.

But 27 Republicans are retiring. Some are in solid GOP territory. But many are in areas where the Democrats have been pushing up, election-by-election. Retirement, in plain terms, is a way to head off defeat.

In the Senate, six Republicans are standing aside. Most of these are in what the GOP considers safe states. But a few are in states that are considered "fighting ground"—New York and New Jersey, for example.

Leadership on major committees is involved.

Most chairmen are standing for reelection. But the retirements mean a big reshuffle in both House and Senate committees. Examples: The House Ways & Means Committee, which originates all tax legislation, will get at least two new members and maybe as many as four. The companion committee in the Senate, Finance, will have at least two new faces and probably three.

Here's the thing to remember: The parties pick new members going on the various committees. That gives the party in power the chance to put on the major committees members who go along with party policy.

The expectation is for a shift toward the left—more power for the so-called liberals in Congress, less for the conservatives.

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
SEPT. 6, 1958

**Big spending will have more support**, especially if the economy fails to take up the unemployment slack.

**A tougher antitrust policy will be pushed.** Liberal Congresses always make a big to-do about concentration of economic power.

**Tax cut chances will be reduced.** Free spending for political projects takes lots of money. Democrats like to soak the rich.

**On labor**, the next Congress will be slow to do anything about the rackets. Unions have much influence with Democratic leaders.

—•—

Now look beyond the voluntary retirements to the probable outcome of the November voting.

**The House line-up today is 232 Democrats, 197 Republicans, six vacancies.** That gives the Democrats a 35-seat margin.

**Democratic leaders talk about winning an extra 30 seats.** More likely, figure on a gain of 20 seats, mostly in the Midwest and Western areas.

**In the Senate**, the division will remain close. The Democrats now have 49 seats, the Republicans 47. The Democrats can figure on unseating at least two Republicans—and on the two new seats from Alaska. That will make for tight Democratic control.

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**The Senate leadership will change.**

**The GOP leader, Knowland of California**, is running for governor in his state. Knowland's supporters in the Senate are the GOP conservatives.

**Dirksen of Illinois is the likely successor.** He's conservative, too, usually identified with the Republican "old guard" but he's no cinch for the job, at all. Eisenhower Republicans talk of Case of New Jersey, Allott of Colorado, and Javits of New York. Of these three, Case has the best chance.

**Johnson probably will remain as the Democratic boss.** He talks wishfully of giving up the job. But odds are he won't. Johnson figures he has a good chance to get the 1960 Democratic Presidential nomination, and his spot as Senate Democratic leader keeps him in the headlines. If Johnson does decide to step aside, Mike Mansfield probably would take over.

**Rayburn wants better control in the House.**

**This means less power for the Rules Committee**, under the leadership of Virginia's Howard Smith. Smith irked Rayburn in the last days of the session of Congress just ended.

**The plan is to go back to the "21-day rule."** Under this rule, any bill that has been pending before the Rules Committee for 21 days can be called up on the House floor for a vote. It gives the Speaker much greater control over legislation than he has today.

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**Keep an eye on Stevenson.** The two-time Democratic loser is showing every sign of willingness to make a third try for the Presidency. And with the Democrats short of material, he just might be able to pull off a third nomination. Gov. Harriman of New York is now considered "too old"; Williams of Michigan is called "too wild." Johnson of Texas is from "too far south." Gov. Meyner of New Jersey hasn't caught on.





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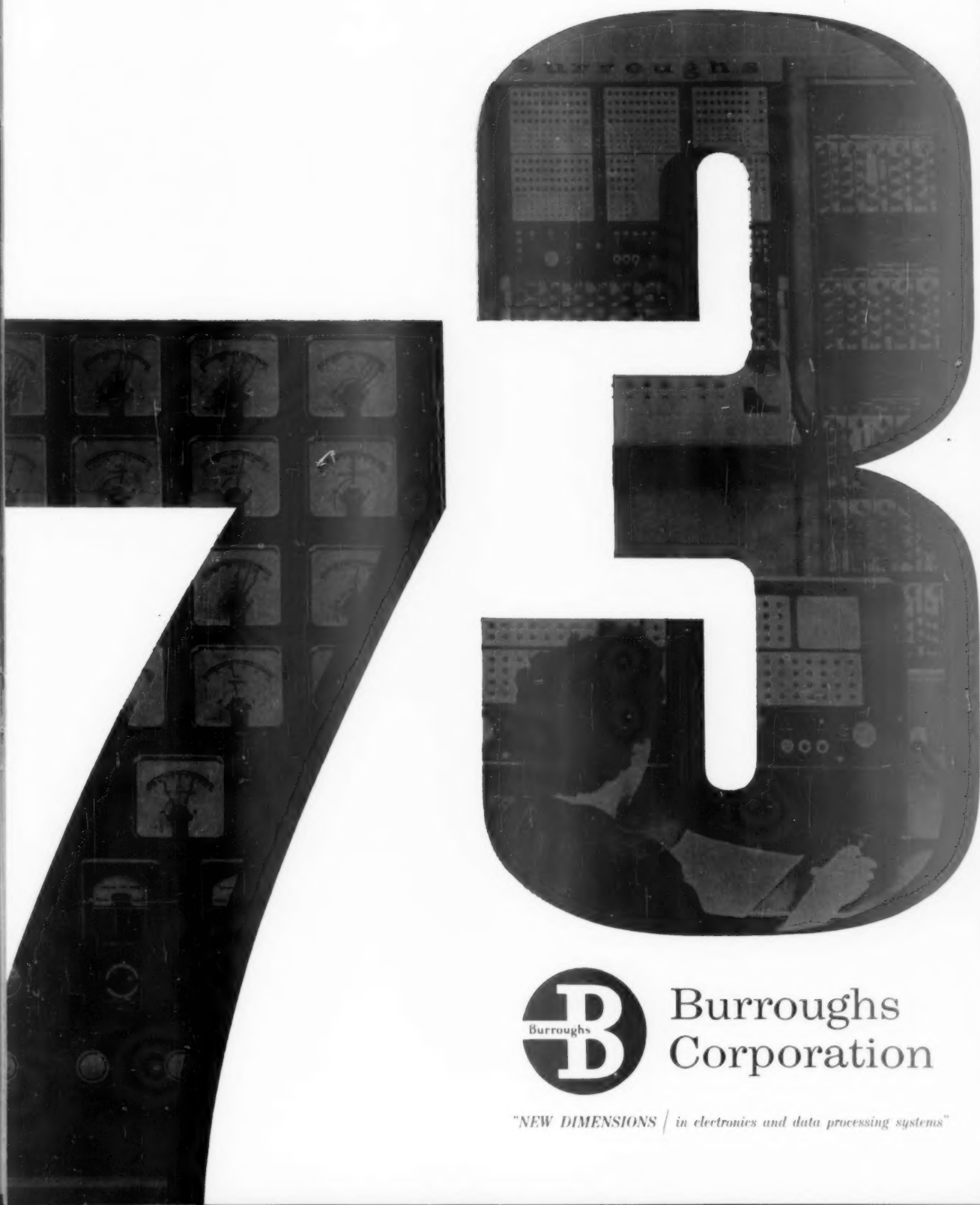
Atlas to processing intricate data in such vital defense systems as SAGE air defense.

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# In Management

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## Stockholders Like Monthly Payment Idea, So Safeway Revises Its Dividend Policy

At least one company is using opinion polls to help set dividend policy. Safeway Stores, Inc., is switching from quarterly dividend payments to monthly payouts as a result of a sampling of public opinion over the past two years.

Safeway became interested in the plan when it discovered how well it was working at Winn-Dixie Stores, Inc., another large food chain. Safeway queried stockholders at annual meetings and elsewhere, and found they like the idea. The first monthly payment (10¢) will be made Nov. 1.

Safeway will be the fourth company listed on the New York Stock Exchange to pay monthly dividends. The others are Winn-Dixie, American Home Products Corp., and Wm. Wrigley Jr. Co.

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## Harvard Study Finds That Few Workers Know What's Going On in the Company

Businessmen needn't be too worried about factory employees leaking company secrets. A study reported in the current issue of the Journal of Business of the University of Chicago suggests that any information the production worker might give is likely to be wrong.

A Harvard University team interviewed 153 of a New England electrical equipment manufacturer's 225 production workers and found their answers on sales, suppliers, new products, even existing product lines, ranged all over the lot. For instance, on the question of what new products were then being developed or were in trial runs, 42% of the workers had no answers, another 20% only incorrect replies. In estimates of total sales, answers ranged all the way from \$20,000 to \$50-million, with more than three-quarters of the answers below the actual \$4.5-million figure. Even on the question of total plant work force, where most of the men gave the right answers, there were guesses as much as 200 men off.

The survey team also questioned residents of a housing development adjacent to the plant site. A third of these neighbors had never heard of the company, only 5% had a fair idea of what the company did.

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## Top Men in U.S. Overseas Offices Get Average of Six Extra Benefits

Eight out of 10 Americans of managerial status working overseas for U.S. companies get extra premiums, allowances, and adjustments on top of their regular salaries, the American Management Assn. reports after

## MORE NEWS ABOUT MANAGEMENT ON:

- P. 54 Companies are helping employees to save; General Electric is the latest to add a thrift fund plan.
- P. 64 Putting some fun in a plant security program.

a poll of 67 companies, which together have 2,400 managers abroad. The average company pays six special allowances, some as many as 10.

These "extras" are likely to include some help toward children's education (help that can range up to \$2,300 a year for total costs of sending a child to private grammar and high schools in the U.S.); a company car or at least upkeep costs on the representative's own; rent allowances if his home abroad costs more than 15% of his base salary; and sometimes even an extra premium of 25% of his salary just to "compensate for the inconvenience of being abroad."

A majority of the companies pay a cost-of-living adjustment, usually figured on the State Dept. index comparing consumer costs in Washington, D. C., with the foreign city in question. One manufacturer of durable goods goes so far as to have each of its 37 overseas managers submit a breakdown of his monthly family expenses. The company then allots a set percentage for savings and personal expenses, pays the difference if costs come to more than salary.

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## O'Leary Takes Top Post at Ruberoid; National Can Brings in Wharton as Boss

Ernest J. O'Leary is the new president and chief executive officer of Ruberoid Co., makers of roofing shingles, insulation, wallboard, and other building products. O'Leary, 50, has been with Ruberoid since 1930, mostly in selling positions. He became heir apparent in 1955, when he was promoted from vice-president in charge of sales to executive v-p. O'Leary succeeds Stanley Woodward, 71, president since 1954, who now becomes vice-chairman of the board. Herbert Abraham, 75, head of the company for 30 years until 1954, continues as chairman.

At National Can Corp., an outsider has been brought in as boss. J. B. Wharton, Jr., management consultant who has been advising National for the past six months, has been tapped as president and chief executive officer. Wharton, 44, will continue as chairman of Maryland Biscuit Co., president of Wealden Co., Delaware investment company, and as a director of Fairchild Camera & Instrument Corp. and Food Giant Markets, Inc., in both of which Wealden has holdings. But Wharton says he will resign from other corporate jobs, notably as chairman of the finance committee of Lear, Inc., maker of electro-mechanical devices, and president of Guardian Insurance Corp. At National he takes the post of Robert S. Solinsky, 64, who becomes chairman. He replaces Donald Lillis, 57, who will continue as chairman of the executive committee.

# The New Fringe: Savings Plans

● The newest vogue in fringe benefits is for employee savings plans to which the company contributes.

● Begun in the oil industry, the plans are spreading fast—most recently to giant General Electric.

● They give rank-and-file workers many advantages previously enjoyed only by the brass with stock options.

The fringe benefit that may sweep industry next—employee savings plans in which companies match a certain proportion of employee savings—got a sharp impetus last week when General Electric announced it would put one into effect for all its employees.

GE is the newest of a small band of companies—somewhere between 30 and 50—that have adopted one of the new employee benefit systems known variously as thrift, savings, or provident funds. They combine, in some degree, the elements of many plans—payroll purchase of U.S. bonds, profit-sharing, stock purchase, retirement funds—and are unlike all of them. Most, so far, have been restricted to salaried employees. General Electric will take the system further in opening it to hourly rated workers—if the unions accept it.

• **Bargaining**—The particular timing of the announcement, in this case, ties in with the company's current labor negotiations. It's being frankly offered as a replacement for some previously agreed increases and as an attempt to stave off demands for supplemental unemployment benefits. GE officials claim enthusiastic acceptance of the idea by local unions and rank-and-file. Union officials are considerably cooler.

There are two significant aspects to the GE offer. For one thing, whether the unions accept it or not, the plan goes into effect for the salaried employees of the company in January. For another, where the plans already exist, they have been received so well that GE, and others, feel the appeal could even be enough in bargaining to offset union demands for "work security" plans such as SUB.

## I. How the Plans Work

Many of the plans differ in detail, but the basic principle is identical for all. An employee may contribute on a regular basis anywhere from 3% to 10% of his base pay—5% is the average. The company contributes an amount equal to anywhere from 33½% to 100%—the average is 50%—of the employee's saving. The combined

money is turned over to a trustee for investment in several combinations of government bonds, company stock, or other common stocks.

So far, the plans have aroused tremendous enthusiasm. In many companies, participation among eligible employees runs as high as 99%.

The reason, from the employee standpoint, is simple. For most workers, white or blue collar, thrift plans represent the first practical method—beyond rigid self-discipline—of saving for large-scale future obligations such as sending children to college or buying a house. For many, it's a far better way of accumulating funds than an equivalent raise in direct salary that could theoretically be deposited in personal savings accounts.

• **Typical Case**—For an average case, take an employee earning \$100 a week. He would have \$5 a week deducted from his check before he gets it, and the company would put up \$2.50. If he doesn't withdraw for five years—under most plans, he can get back his own money, but not the company's contribution before then—the least he has socked away is \$2,000, more than a third of which has come from the company. If the stock part of the investment has appreciated at all, there could be considerably more. Employees already covered by such plans often suggest that if the extra \$2.50 had come as a straight raise, the \$2 left after taxes "would probably disappear."

Or take one of the most liberal plans, like that of Shell Oil. Shell permits contributions of up to 10% on a sliding scale depending on years of service and matches them 100%. At the end of his first 10 years with Shell, assuming no increased value on the securities part of the investment, a \$10,000-a-year man would have accumulated a minimum of \$15,000, less than half of which he would have put up himself.

Almost invariably, the extra dollop from the company provides an incentive to save, even among persons who had formerly figured they couldn't possibly spare the money.

• **Virtues for Companies**—From the

corporate standpoint, the plans have other values:

• To a degree, they extend the values of deferred payment plans and stock options to employees far below the levels at which such plans usually apply.

• They can provide a wide base of employee stock ownership, without many of the usual problems of traditional stock purchase plans.

• Because most plans require anywhere from one-third to two-thirds of the combined employee and company contributions to be invested in company stock, they provide a possible future source for direct financing, or a lever to help stabilize the price of the stock on the markets.

• Cost—in view of some side benefits for the company—is comparatively low.

## II. The Plans Spread

The earliest of the plans date back only to 1952. At first, they were confined largely to oil companies, whose payrolls are comparatively low in relation to over-all sales and profits. For a company like Standard Oil (N.J.), where some 30% of total payroll goes to benefits, the extra bite for a savings plan was comparatively minor.

But industrial and service companies generally balked. The argument usually was that where the labor force represented a large part of the total cost of operation, such a plan would be both expensive and impractical.

• **Offset for SUB**—What probably broke the pattern was another fringe benefit—the supplementary unemployment compensation that the United Auto Workers won for its members. In 1956, the auto companies started putting in the saving plans for salaried employees to offset the union members' SUB. Since then, the ranks have been joined by several utilities, chemical companies, and industrial outfits such as U.S. Steel and now General Electric. Now the plans are becoming recognized as an incentive for getting and holding employees and as hedges against inflation. The stock aspects of most plans offer a counter to continuing inflation, which might reduce the value of fixed pension systems or of personal cash savings.

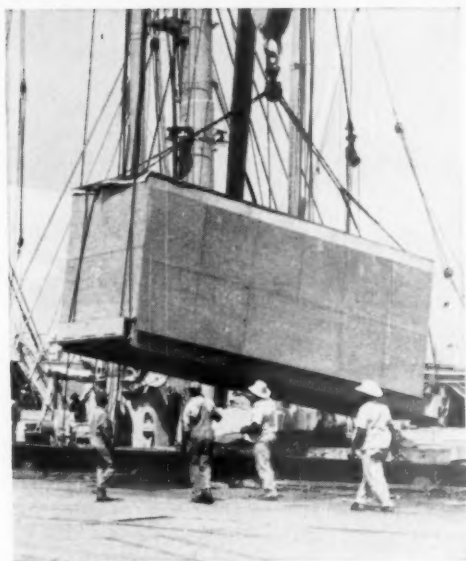
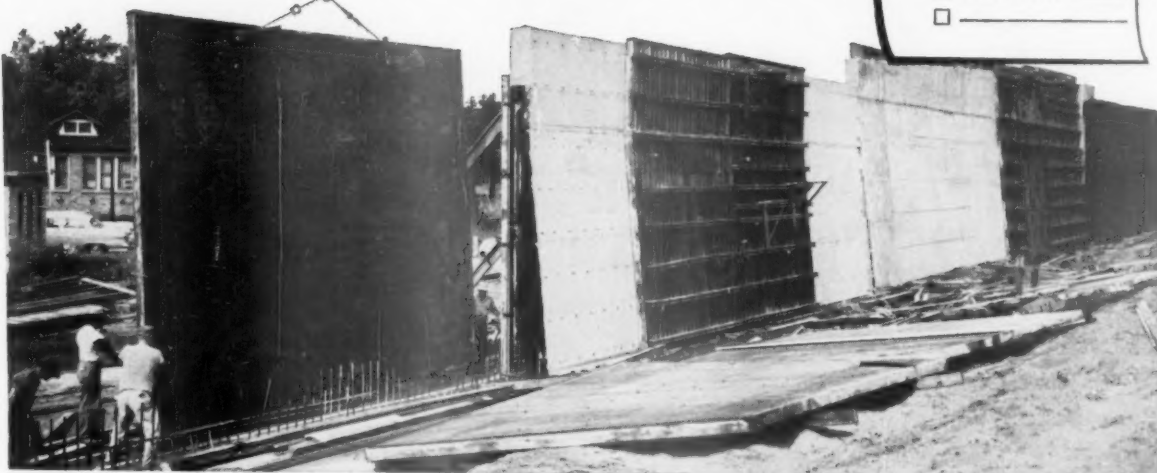
About a third of the existing plans, such as those of Columbia Gas or Sinclair Oil, permit the employee to decide how all the money—both his and the company's—is to be invested, in any combination of government bonds, company stock, or a diversified port-

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folio. Some of these go a few steps farther, by allowing him to shift his credited funds from one to another—to bonds, if he thinks the stock market will drop, or back to stocks if he thinks it will rise. But to prevent employees from getting more interested in daily market quotations than in their work, the shifting period is usually limited to once every year, or at the outside, once every six months.

The majority of plans limit the choice to government bonds or company stock—and most of these insist that the full company contribution must be in stock only.

• **Safer for Employee**—But this gives the employee a far better deal than most traditional stock purchase plans. Under the standard system, an employee is charged the full market price of the stock the day he signs up, although he might have up to two years of installments in which to pay for it. If the market should drop sharply in the interval, he still has to pay the higher price.

Companies have found that when there is a fairish drop, employee resentment may more than offset theoretical morale benefits.

Under the savings plans, too, stock values can drop—and most companies try to make that clear. But the employee is protected considerably. For one thing, the company itself is paying between one-third and one-half of the cost—so a sizable drop is possible before the employee himself can lose much of his own money. Meanwhile, he's accumulating dividends.

For another, these plans involve almost pure dollar averaging. In many cases, trustees are making purchases for the fund every day—and the employee's "price" is more likely to be an average for a year—or at worst a quarter. Barring a really cataclysmic drop in a company's fortunes, an important loss over a period of several years is unlikely.

• **Helpful to Company**—For the companies, this stock feature also has sizable advantages. Only one company so far—General Motors—provides that the fund must buy newly issued stock direct from the company, in effect supplying a new source of financing (BW—Aug. 30 '58, p33). Most of the rest leave an option between buying on the market or directly from the company, but in practice, purchases are generally on the markets.

This can have a stabilizing effect on price, although the total number of shares involved may be only a fraction of the totals outstanding. For instance, over the last couple of years 20% of all Ford Motor Co.'s stock traded has been purchased by its savings plan. GE estimates that when its program goes into





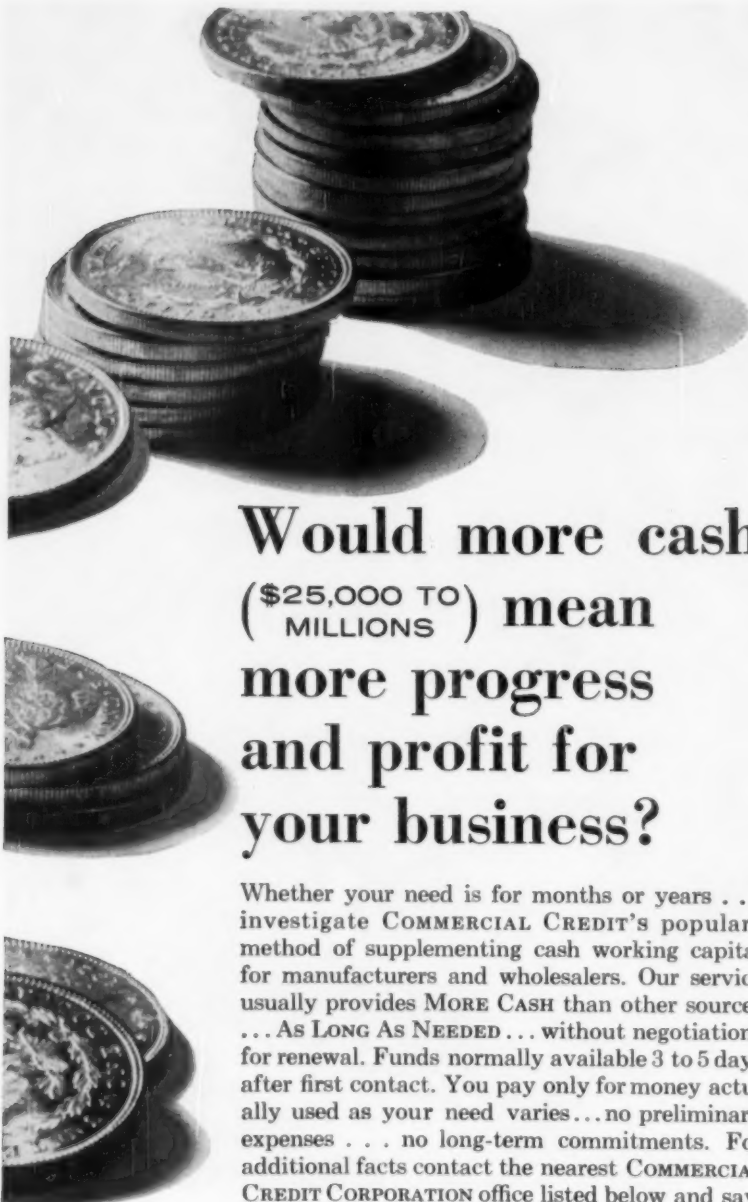
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**" . . . the plans are designed for long-range accumulation of funds . . . "**

**STORY starts on p. 54**

full swing, the plan will be taking about 1-million shares a year—and the turnover of GE stock on the exchanges has been averaging only 3-million shares a year.

In theory, over a period of time, employees could also pick up a substantial part of the control of the company. One of the newer plans, that of Columbia Gas, obviates that by requiring that once the company stock in the savings fund reaches 1% of the outstanding shares, trustees must put the money into other outlets.

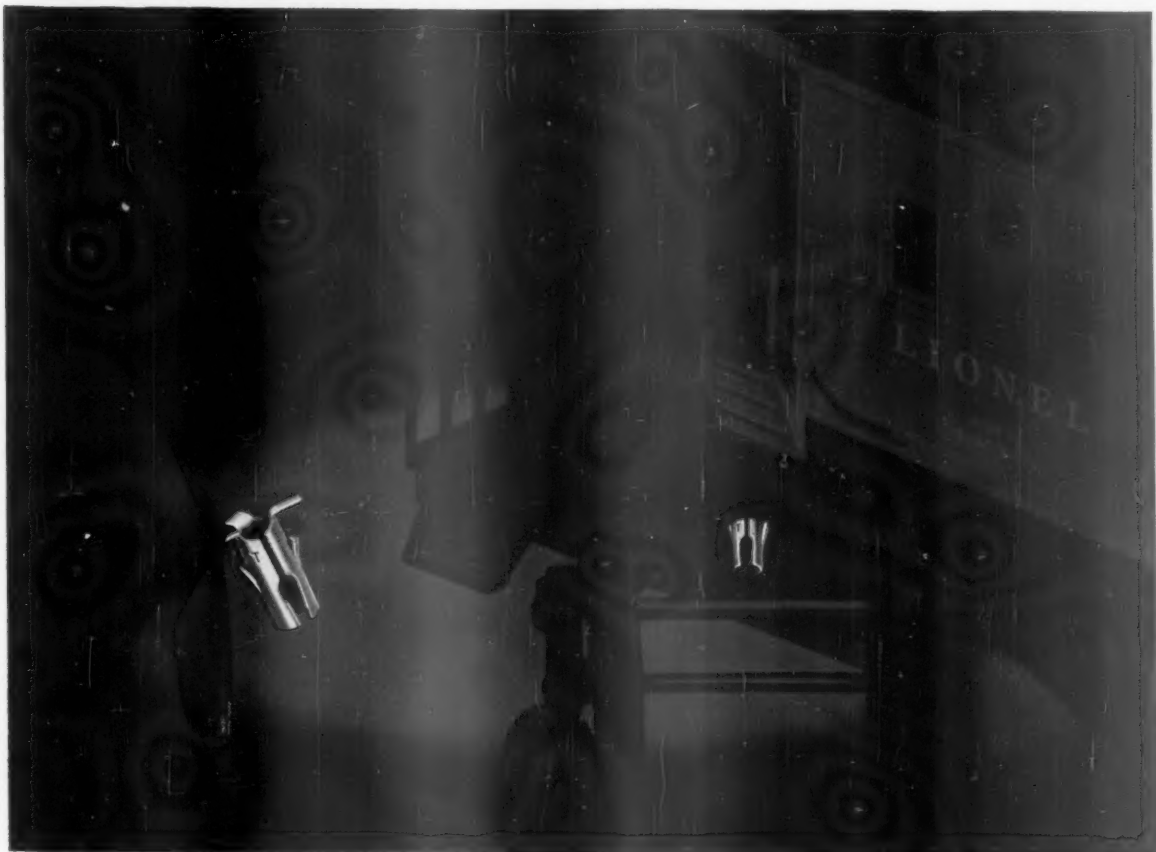
### III. Boon for Employees

By and large, the plans are designed for long-range accumulation of funds—anywhere from five years to retirement—not for short-range saving for, say, next summer's vacation. With a general expectation that the country is in for long-range, if gradual, inflation, the plans offer all employees some of the advantages of the stock option plans so far restricted to top executives.

In many cases, the stock aspect gives the employee a direct voting interest in the company, too. So far, most of the plans leave voting of the stock held by the fund to the trustees—who invariably vote for management's proposals. But an increasing number are extending voting rights to employees on the securities held in their names. At U.S. Steel, for instance, employees instruct the trustees how to vote their shares. Union Carbide allows employees to vote directly the shares held for them. Only in the GM plan are there no voting rights at all attached to the stock until the trustee literally turns the certificates over to the ultimate owner. Banks act as trustees for most of the funds.

• **Tapping the Savings**—There's a deferred pay aspect to the plans, too. In most cases, savings can be withdrawn as need arises. The employee's own deposit has already been taxed, since it comes out—like other deductions—after withholding tax on gross pay. But he pays no tax on either the employer's contribution or on accumulated interest and dividends until he withdraws. Almost invariably, he can at any time withdraw his own direct deposits, plus nominal interest of 2% or 3%, but all the plans make him wait three to five years to withdraw the company's contribution also.

This part, including accumulated interest, dividends, and security appreciation, is taxable. But if the employee retires or leaves the company perma-



*Engineered by Tinnerman...*

## Train maker cuts assembly costs 37% with one-piece Tinnerman **SPEED CLIPS**®

On Lionel electric trains, one-piece Tinnerman SPEED CLIPS fasten car trucks to car bodies... cut assembly costs 37%. Each SPEED CLIP replaces a grooved screw-machine part and a special retainer ring. Also eliminated are riveting and crimping operations.

Specially engineered for Lionel, this SPEED CLIP is easily snapped through punched holes. Spring steel fingers compress, then spring apart to complete the truck-to-body attachment.

Perhaps your product can be assembled faster, better, at lower cost by a switch to Tinnerman SPEED NUT brand fasteners. Your Tinnerman sales engineer can make on-the-spot fastening recommendations. Or he can arrange

for a complete no-obligation Tinnerman Fastening Analysis of your product. He's listed in the Yellow Pages under "Fasteners." Or write to:

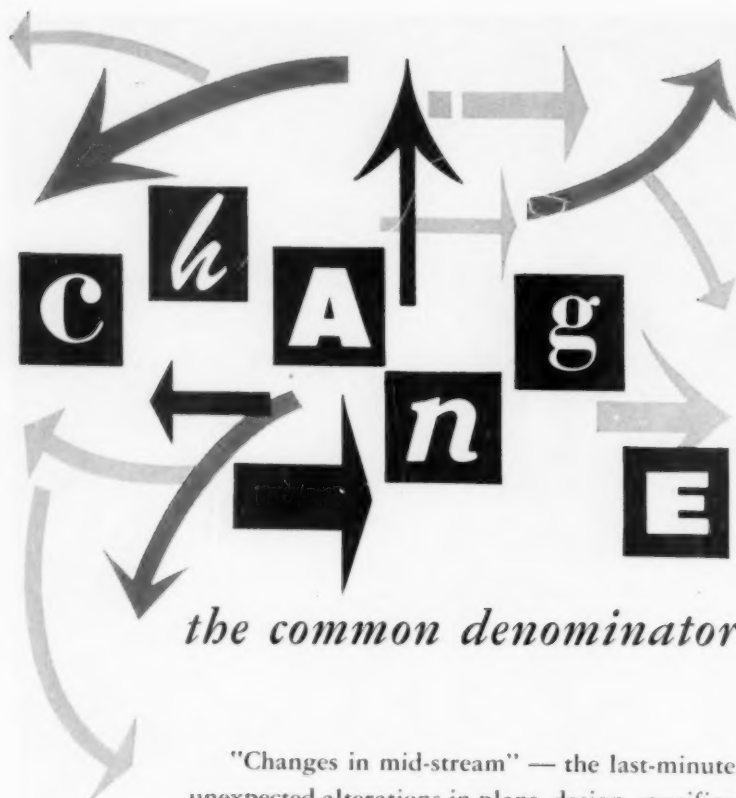
**TINNERMAN PRODUCTS, INC.**  
Dept. 12 • P. O. Box 6688 • Cleveland 1, Ohio

**TINNERMAN**

*Speed Nuts*®



**FASTEST THING IN FASTENINGS®**



## *the common denominator*

"Changes in mid-stream" — the last-minute, unexpected alterations in plans, design, specifications, metallurgy — meet with quick, accurate and positive action at Western. We understand the *necessity* for such changes. With an intimate knowledge of each of our customer's basic needs, and with broad experience in the design and fabrication of heat exchangers, the entire Western organization, from Shop to Engineering, is geared to meet whatever demands such changes may create.

There's nothing *new* about change in the chemical, petrochemical and refining industries — and adjusting to these changes as they relate to heat transfer requirements has become a specialty at Western.



nently, he pays only a capital gains rate. If he withdraws the total while continuing to work for the company, then he must pay straight income tax rates on the difference between his deposits and the actual sum received. Most companies, to discourage indiscriminate withdrawals, add a penalty waiting period—anywhere from three months to a year—before the employee can come back into the plan.

- **Tax Help and Hindrance**—Because of the tax factors, some experts on savings funds object to the "cycling" plan used by the auto companies. Here, instead of totals accumulating, each year's deposits are kept as a separate "class." At the end of five years, whether the employee wants it or not, the total cash and stock of that "class year" must be turned over to him—and by and large, he'll pay a straight income tax on the difference.

Incidentally, tax laws help reduce the cost for companies, too. Under current interpretations by the Treasury, contributions by the company are considered a cost of doing business before taxes. So, in effect, the government is picking up 52% of this cost.

- **Salary Maximums**—One thing most plans make clear—the thrift funds are designed as an aid to the mass of employees, and not as a disguised form of supplementary pay for top executives. Salary maximums to which the deposits can be applied control that—in all but a few cases they run between \$12,000 and \$20,000 a year.

One way or another, the plans seem destined to increase considerably. It is, at the moment, somewhat unlikely that the unions will accept the GE offer for their rank and file—partly because it's being offered in exchange for cash increases already in contracts, partly because it's difficult to persuade union members to accept a long-range gain against an immediate increase in pay. And GE's proposed plan has some unusually generous features found in no other plans. For one, in the event of layoff, after six months the company will turn over its contributed share even if the vesting period hasn't been completed. In addition, in these cases, the company will permit the returned employee to replace his original savings—and match them again, in effect making a double contribution as compensation for the layoff's hardships.

But many compensation experts who have examined the plans are convinced that once the economy gets back to a high level, the savings plans will spread through industry—with possibly even more appeal than, say, profit-sharing plans. Says one: "They'd be going faster right now, except for the slight problem of explaining to stockholders why you're adding another employee benefit when dividends are being cut." **END**





You'll find Green River Steel  
in some mighty vital places...

Glance at the landing gear assembly of a modern aircraft and the chances are good that you'll be looking at Green River Steel. This vital mechanism must be able to withstand the impact of extreme shock loads at high and very low temperatures. That's why Green River is so often specified by name. The splendid new 60-ton arc-type electric furnaces down at Owensboro, Kentucky, are pouring steel to be processed under the exclusive Dornin patents which make MACRO-CLEAN steels of unmatched forging qualities and grain structure.

Even if you aren't in the business of producing critical aircraft parts, if you have reason to buy billets, bars or slabs of aircraft and commercial grade alloy, stainless or forging quality carbon steels, you can't do better than place your order with Green River—the steel industry's new Southern Star.

These Jessop district offices and representatives can now service you with Green River Products

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Birmingham, Ala.  
Buffalo, N. Y.  
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Chicago, Ill.  
Cincinnati, Ohio  
Cleveland, Ohio  
Detroit, Mich.  
Hartford, Conn.  
Houston, Tex.  
Indianapolis, Ind.  
Los Angeles, Calif.  
Montreal, Quebec  
New York, N. Y.

Philadelphia, Pa.  
Pittsburgh, Pa.  
Toledo, Ohio  
Toronto, Ontario  
Wallaceburg, Ontario  
Washington, D. C.

**Representatives**

Kansas City, Mo.  
Milwaukee, Wis.  
St. Louis, Mo.  
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**WAREHOUSE**

**STOCKS AVAILABLE**

"New Southern Star"

# GREEN RIVER STEEL

CORPORATION • OWENSBORO, KENTUCKY

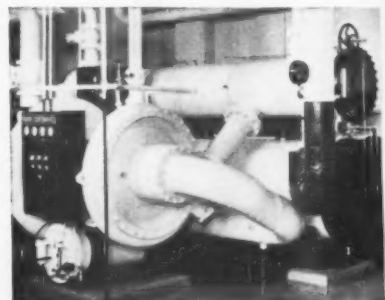
**A SUBSIDIARY OF JESSOP STEEL COMPANY**

# A better return on investment



Dial your climate with UniTrane! Model shown has its own motor-driven fan. Induced air units also available.

**Trane changes climates to order** in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—for any air condition, turn to TRANE.



**Talk to the men who know all 4 related fields ....**

## **Air Conditioning**

Where space is a problem, this TRANE CenTraVac water chiller may be installed anywhere from basement to rooftop. And it automatically paces itself to supply just the amount of chilled water you need.

# your air conditioning with Trane!

**W**hen you plan air conditioning for your building, you expect year-around comfort, of course. More than that, you expect the maximum return on your investment. The modern equipment available from TRANE will provide custom comfort for your tenants or employees—at low installation costs, low operating costs.

*Flexibility* is the secret of TRANE Air Conditioning equipment. It's designed to meet every architectural demand, every remodeling problem. TRANE engineers are skilled in designing all types of heating, cooling and ventilating equipment. This is your assurance of getting the right equipment for your air conditioning job. TRANE units are *matched*—designed and built together to work together!

You're not limited to *one* type of system with TRANE! TRANE equipment can be combined to heat and cool *any* new or existing multi-room, multi-story building—in the manner that's most economical for owners, most comfortable for occupants.

You'll enjoy operating economy with TRANE—because TRANE equipment has exclusive engineering features that reduce the cost of building changes—and provide economical part-load cooling in fall or spring or during periods of partial occupancy.

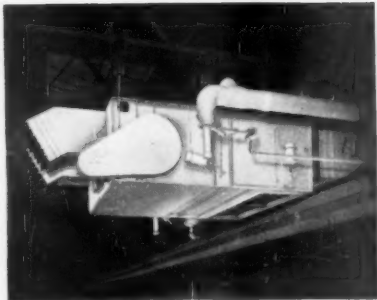
So when you plan air conditioning, make sure you get a better return on your investment. Ask your architect or consulting engineer to talk to your nearby TRANE Sales Office. Or write TRANE, La Crosse, Wisconsin.

*For any air condition, turn to*

# TRANE

**MANUFACTURING ENGINEERS OF AIR CONDITIONING,  
HEATING, VENTILATING AND HEAT TRANSFER EQUIPMENT**

THE TRANE COMPANY, LA CROSSE, WIS. • SCRANTON MFG. DIV., SCRANTON, PA. • CLARKSVILLE MFG. DIV., CLARKSVILLE, TENN. • TRANE COMPANY OF CANADA, LIMITED, TORONTO • 87 U.S. AND 19 CANADIAN OFFICES



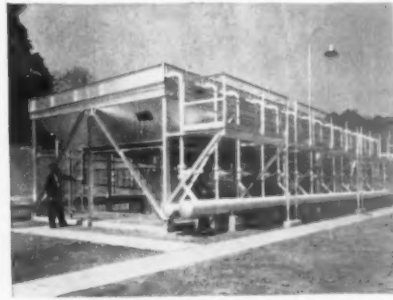
## Heating

Combine heating and ventilating in one economical unit. TRANE Torrivent mixes any desired amount of outside air to provide warmth plus ventilation for factories, shops, schools, warehouses.



## Ventilating

Big fans for big jobs! Moving air for a big building air conditioning system takes a lot of "push". TRANE high-efficiency Fans are tested in famous TRANE LABORATORY, "House of Weather Magic."



## Heat Transfer

Keeping oil flowing across a continent takes rugged, dependable equipment! TRANE Fluid Coolers help keep compressor station equipment running smoothly, prevent costly interruptions of service.

# Putting a

**Ramo-Wooldridge uses wise-crack posters and other humorous gimmicks to tell employees to "button up their lips."**

For the past four weeks, telephone extension 1812 at Ramo-Wooldridge Corp. has been flooded with 1,000 calls a day. One day the caller heard a Gilbert and Sullivan baritone singing:

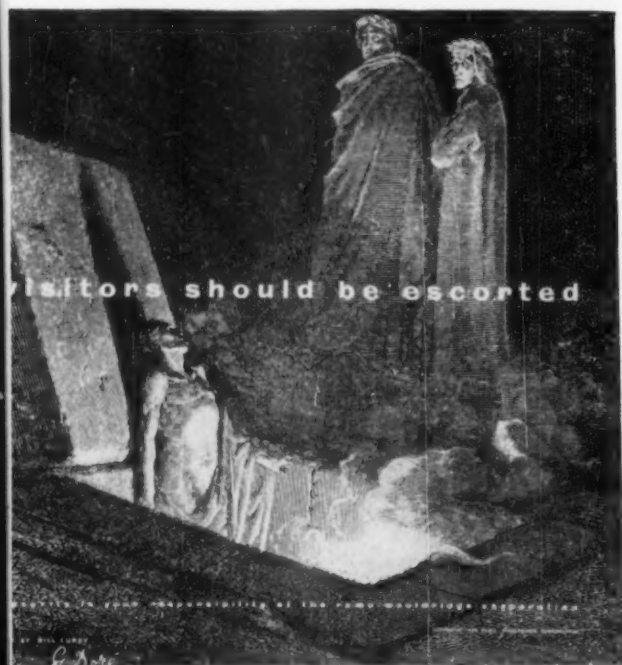
*When I was a lad I served a term  
As office boy at the R-W firm,  
I learned my combination and—  
what is more—  
I left classified material in the  
proper drawer.  
I locked my safe so carefully,  
That my fame spread through  
the facility.*

Other days the "commercial" featured a calypso singer complete with bongo drums, a "Mr. Magoo" character, a soap opera, a "Dragnet" drama.

• **New Approach**—The theme of all the recordings is the same—security of classified information. They are part of R-W's continuing sophisticated security program, which holds that a soft sell coated with wit is more effective than a "button your lip" blunderbuss approach. The posters shown here are another facet of the program, and there are films, booklets, and novelties to go with them.



CLASSIFIED information left on blackboards is a risk, so Gen. Harold George, senior vice-president of Ramo-Wooldridge, poses for a poster spotlighting the point.





# Little Fun Into the Security Program

There are 2,052 companies in the country obligated to follow government security regulations. Yet Ramo-Wooldridge was afraid that the typical police-like security programs would alienate its scientific work force. So 3½ years ago, the company began a new security program.

New employees are shown a 7½-min. film telling, in a humorous way, just why security is the responsibility of each worker. The color film, made for about \$1,800, has proved so popular with other firms that R-W has 25 prints of it in loan circulation. Also, 45 copies have been sold to other concerns.

• **Attention-Getters**—But the posters are the biggest attention-getters in the security program. The design formats are borrowed from fashion magazines and advertising, and each month aim

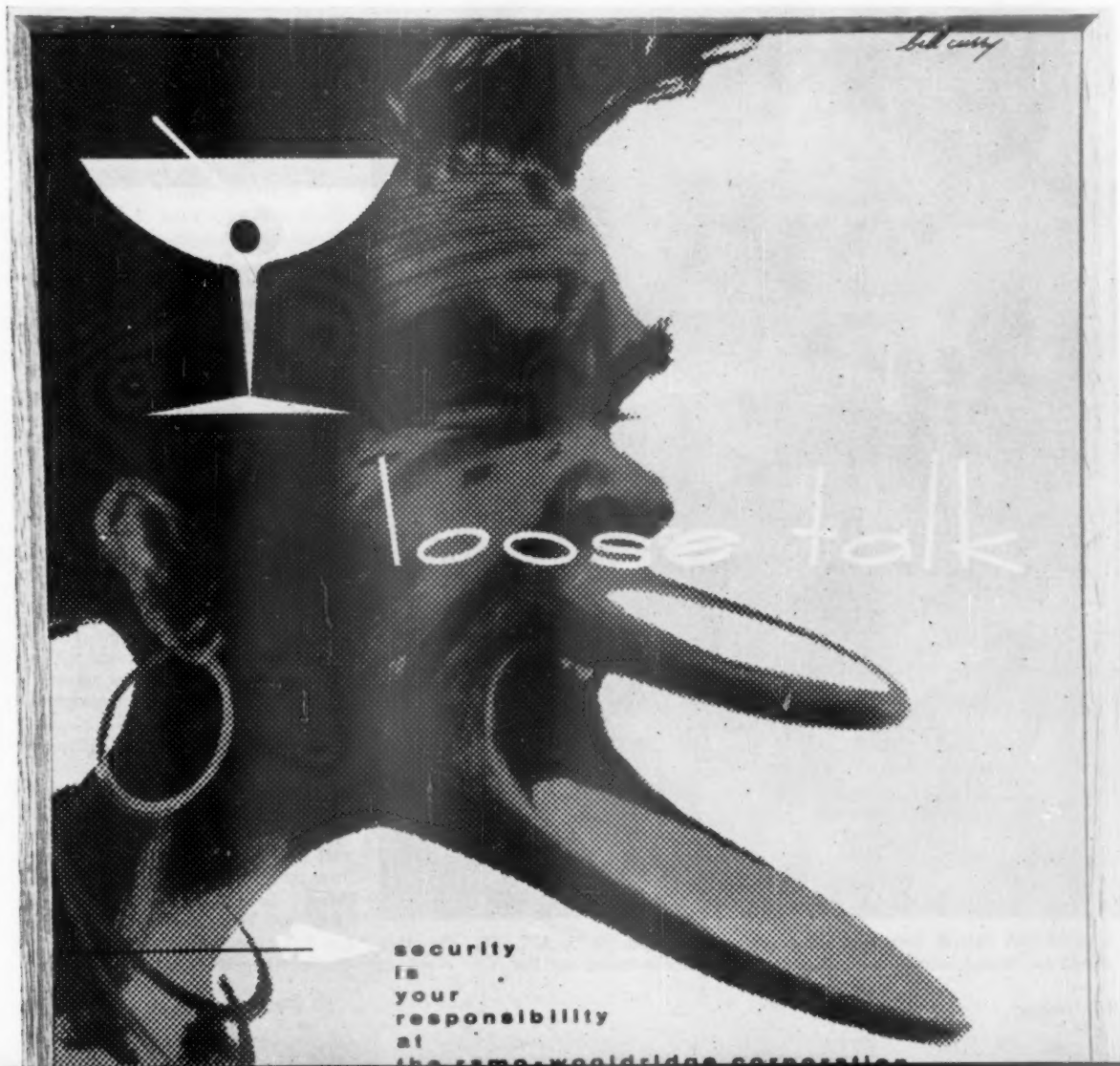
at a different security problem. One poster, for instance, borrowed from Egyptian hieroglyphics, had 18 rows of animals and nature symbols with one small outline of a missile in the midst of it all. The message: "Classified information shouldn't be in personal correspondence." The poster warning against liquor-induced loose talk went up just before last December's round of Christmas parties. As an additional reminder, coasters printed with artwork borrowed from the posters are distributed around the plant at coffee-break time.

The latest poster reads Call 1812, announcing the phone commercial gimmick. When the new posters went up on Aug. 11, almost 1,000 calls came in that day. Now calls are pouring in from engineers at Douglas, Northrop, Lockheed, North American and

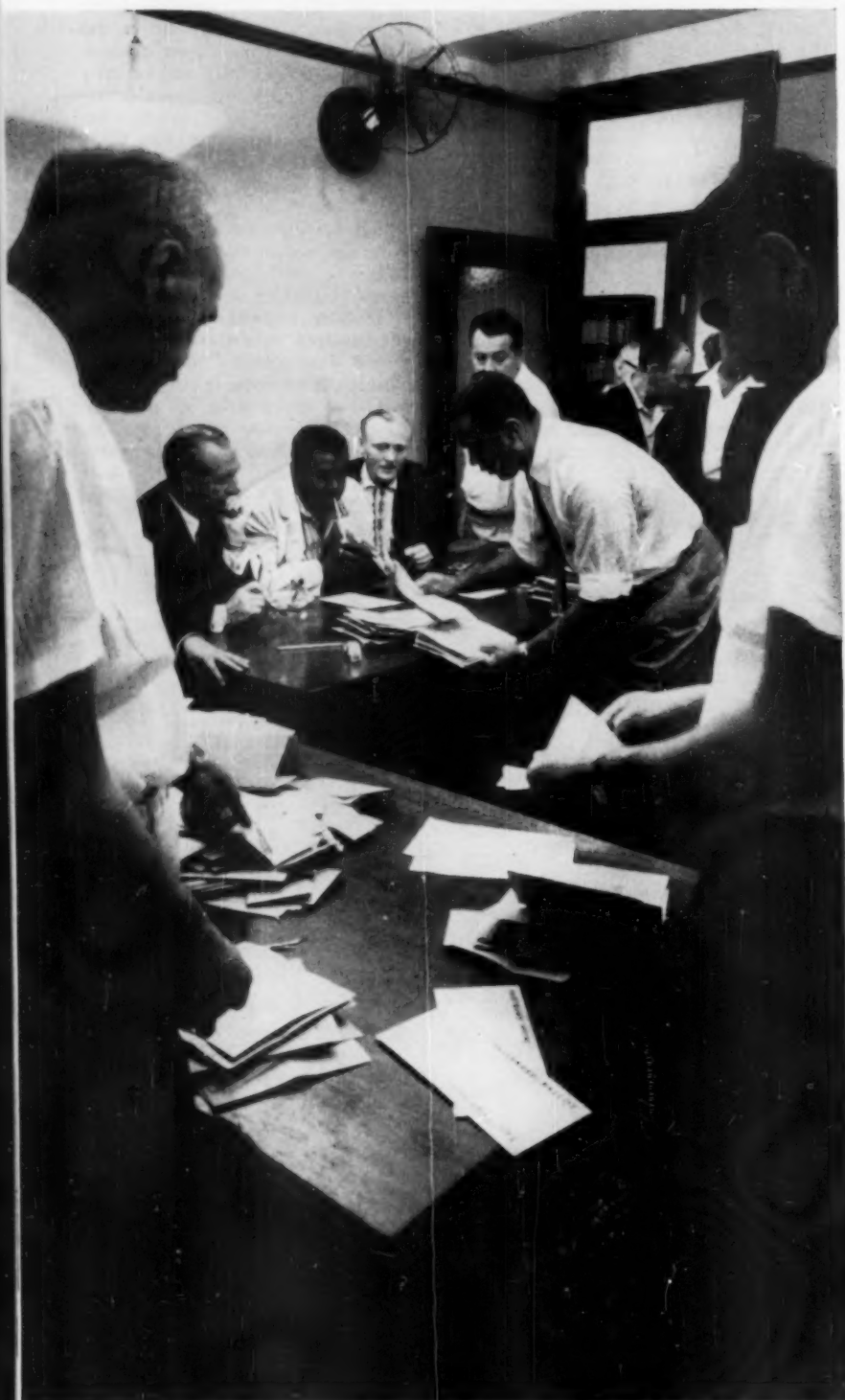
other nearby defense contract plants.

• **Enforcement**—The light touch in the R-W security program doesn't mean that the company doesn't take security seriously. Employees attend regular "refresher" meetings on security rules. Security guards are on duty at every plant entrance, make regular spotchecks to see that files are locked and desk tops cleared of secret material. Violations are disciplined by line supervisors, the third violation handled by the man's division director.

Ramo-Wooldridge developed the security program when the company was heavily involved in research, when its employees were mostly "brains." Now it is bearing down more heavily on production, but so far finds its program just as effective for the production workers as it has been for the scientists.



# Breaking With Gangster Bosses



**CHECKERS** (seated) from rival bakers' unions—one chartered by AFL-CIO, the other ousted for corruption—patrol a National Labor Relations Board election.

Two Chicago unions may set pattern for AFL-CIO's over-all drive against corruption and racketeer dominance.

By now most people are familiar with what happens when the McClellan committee comes to town. All the sordid details of shakedowns, gangsterism, and the "fix" are exposed under the pitiless glare of klieg lights. But what happens when the committee passes on to another area of corruption is rarely noticed.

Apparently, and perhaps most often, the aftermath of a Senate probe into labor racketeering within a given union or locality can be filed under "the more things change, the more they remain the same," despite the real progress the AFL-CIO is making in cleansing the federation itself of the taint of corruption.

But in Chicago, a change is in the making, which illustrates two possible approaches the labor unions can take to rid themselves of corruption and the impact of these on management:

- Union members were given a choice in National Labor Relations Board elections to choose between an AFL-CIO chartered union and one ousted from the federation on charges of corruption. Bakery workers in Chicago picked AFL-CIO's American Bakery & Confectionery Workers union by 2,550-to-40 over the ousted Bakery & Confectionery Workers union in a series of 22 elections in mid-August.

- Under prodding from the McClellan committee and the AFL-CIO executive council, the Hotel & Restaurant Employees & Bartenders International Union lifted the charter of two locals and placed its Chicago Joint Council under trusteeship in a move to wrest control of Windy City operations from officials accused of links with the old Capone mob. The hotel union is under orders from the AFL-CIO executive council to account for the failure, or success, of this operation.

## I. Battle of the Bakers

The tale of these two unions may be repeated throughout the country—with all attendant headaches for management and unions—as AFL-CIO intensifies its anticorruption drive (BW—Aug. 30 '58, p67).

When AFL-CIO expelled the Bakery & Confectionery Workers last December—largely because of the pecca-

## How U. S. Steel Supply's Special Services

# "slashed our inventory 80%"

reported by **Mr. Ben Warmer**, President,  
Coast Pro-Seal and Manufacturing Company  
Los Angeles, California

**"We've reduced our on-hand inventory of aircraft quality aluminum 80% since taking advantage of U. S. Steel Supply's Any Steel, Anywhere, Any Time Service,"** says Mr. Warmer.

"Previously, because of consistent growth, we found ourselves being squeezed for additional production space. But, by reducing our inventory, we released not only the space we needed, but \$45,000 in available working capital as well.

"We immediately used this money to purchase and install five new rolling mills, which, along with the five mills then in operation, gave us adequate production facilities.

"Rush orders are no problem either. U. S. Steel Supply's Any Steel, Anywhere, Any Time Service gives us delivery of the material we need . . . when we need it."

Do you have an inventory problem? Perhaps U. S. Steel Supply's Any Steel, Anywhere, Any Time Service can help you solve it. Ask for our new and helpful brochure entitled, "Value Analysis at Work." Write to U. S. Steel Supply at the address below.

*USS is a registered trademark*



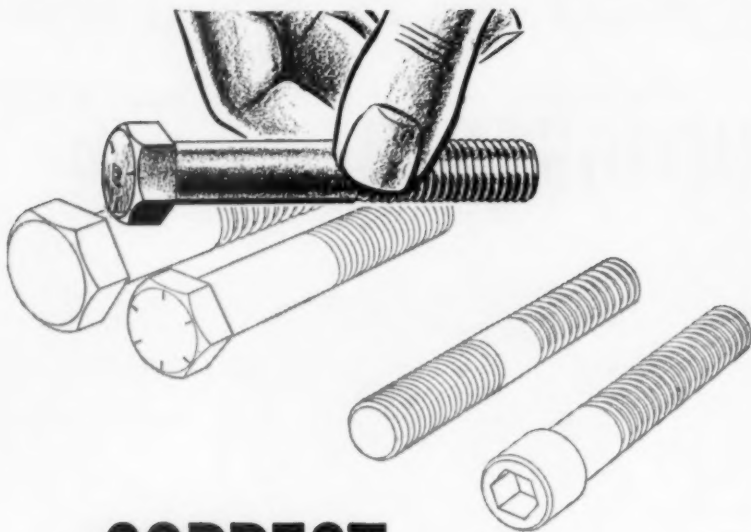
Remember . . . you get Any Steel, Anywhere, Any Time Service from . . .

**U. S. Steel Supply  
Division of**



**United States Steel**

## ECONOMIC FACTS ON FASTENERS



# CORRECT FASTENER SELECTION AVOIDS COST PENALTY

● A fastener survey can reveal many opportunities for savings

● Cut costs without cutting strength or safety of connection

It's a mistake to pay premium prices for fastener properties you neither need nor use. While costly alloys have their place, most times the three grades of steel used in standard bolts and nuts can do the job and save money.

**Example:** Specification calls for alloy bolts with strength of 145,000 psi. But in assembly, they're tightened to just 30,000 psi. This gives no more strength to the joint than a far more economical Bright Cap Screw tightened to same load. The change would save a substantial sum.

Reducing size also saves. Remember that a fastener's job is to hold an assembly together. *Holding power* is what you should buy, rather than size or number of pieces.

**Example:** Product requires fasteners with a safe load capacity of 20,000 pounds. Bright cap screws of

$\frac{3}{4}$  inch size will do it; but so will  $\frac{3}{4}$  inch High Tensile Bolts—at less cost. Actually, to get the same holding power as in \$1.00 worth of the high tensile fasteners, you would need \$1.50 worth of bright cap screws.

All this just touches on a valuable story for any manufacturer using standard fasteners. Worth a call to hear what it holds for you? Contact Russell, Burdsall & Ward Bolt and Nut Company, Port Chester, New York.



**Plants at:** Port Chester, N. Y.; Coraopolis, Pa.; Rock Falls, Ill.; Los Angeles, Calif. **Additional sales offices at:** Ardmore (Phila.), Pa.; Pittsburgh; Detroit; Chicago; Dallas; San Francisco. **Sales agents at:** Milwaukee; New Orleans; Denver; Fargo. **Distributors from coast to coast.**

**R B & W FASTENERS—STRONG POINT OF ANY ASSEMBLY**

dillos of its president, James G. Cross, who was charged by the Senate committee with misuse of union funds and of "conniving" with employers to reach "sweetheart" agreements—the federation immediately chartered dissident locals of the Cross union as the American Bakery & Confectionery Workers.

The ABC has successfully challenged a number of B&C locals across the country, but the Chicago elections are most crucial. B&C Local 1, with 8,000 members, is a key local for the Cross-bossed union—and it is here, ultimately, that Cross stands or falls.

• **Guide Post**—The fight between the "clean" bakers and the "dirty" bakers also points to the path that AFL-CIO may itself some day follow to free Teamsters rank-and-file from racketeering dominance. And it shows that if a Teamsters-AFL-CIO war should ever come to pass, employers might be in for some rough sledding.

• **The Ousted B&C**—The behind-the-scenes tactics of the two unions as they fought out the elections in August followed almost the same lines set down by the CIO in 1949, when 11 unions were expelled for being Communist-dominated. Soon after AFL-CIO suspended the bakery workers union in December, 1957, the Chicago region office of the federation started organizing a new union with a hard core made up of those who bolted the Cross union on its expulsion.

B&C Local 1, amalgamated into a single union several years earlier, had never held general membership meetings. It was run, reportedly with a heavy hand, by local president Anthony J. Conforti, now up for trial on charges of embezzlement. As a result, a certain amount of rank-and-file as well as union official resentment built up over the years. Last February, the executive board voted (28-to-12 reportedly) to disaffiliate from the Cross union despite heavy pressure brought to bear by the B&C international.

B&C appointed a trusteeship over the local. But the AFL-CIO bakery union, warned by a report that Cross union officials were packing up Local 1 records, walked in and took possession of the union headquarters by changing the lock on the door. B&C went to court, but to no avail because of the disaffiliation move made earlier by Local 1's executive board.

• **Contender ABC's Tactics**—The "seizure" of the Local 1 office by AFL-CIO bakers enabled the ABC organizers—supplemented by two dozen AFL-CIO staffers—to use membership lists to good advantage. During the campaign, the AFL-CIO group hit the corruption issue hard. It also had the aid of Cross dissidents. "We always hit the line at the same time the B&C campaigned," says Daniel J. Healy, AFL-CIO re-





*The "Guaranty Customer" visits his bank's Transit Division. Photographed by Loebel.*

## THE GUARANTY CUSTOMER CAN ACHIEVE CLOSE CONTROL OF CORPORATE FUNDS

The financial officer of a nation-wide corporation needs a constant flow of current information to function successfully. He needs many facts. Not the least in importance is an accurate, up-to-the-minute report of funds in his depository banks throughout the country.

The Guaranty customer can get this information and achieve finger-tip control of his funds through Guaranty's National Clearing Plan. Guaranty sets up check collection routines on a coast-to-coast scale, making use of Post Office Lock Boxes and regional banks serving as concentration centers.

The customer saves as much as five days' float on remittances. He gets a daily balance report of funds in his regional bank. He can transfer balances to his central bank more rapidly.

If you would like to learn how the plan can be tailor-made to suit your present and long-range needs, call or write our Transit Division.

Our booklet, "Better Control of Corporation Funds through The Guaranty National Clearing Plan," is available on request.

### GUARANTY TRUST COMPANY OF NEW YORK • 140 BROADWAY, NEW YORK 15

*Capital Funds in excess of \$100,000,000*



Fifth Avenue at 44th St., New York 36  
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Member Federal Deposit Insurance Corporation

*The Bank for BUSINESS—where business leaders bank.*



*On the tropical island of Inagua in the Bahamas, Morton obtains salt evaporated from sea water.*

## Only Morton can offer you the right salt

From faraway Inagua, from 13 other sources across America and Canada, Morton sends salt to industry for 14,000 different uses, for everything from making chemicals and curing hides to seasoning food and setting dyes.

As the only nation-wide salt company, Morton is able to produce and deliver the kind of salt *you* need, regardless of your size or location.

### **Nearly 100 different grades**

Morton obtains salt from all three sources: solar ponds, mines and wells. This salt is available in nearly 100 different grades—each with its own peculiarities of purity, shape, texture and rate of solubility. Only Morton has solar ponds, mines and wells from coast to coast; and

Morton is able to produce all grades of salt for industry.

This is important to you because the right salt for the right job will help you reduce costs, save time and turn out products of uniform high quality.

### **How Morton can help you**

Morton has the most complete salt research laboratory in the world. Morton also offers a complete line of salt. This means you can get expert, *impartial* advice on which grade or grades will do the best job for you. Salt problems your Morton salesman personally can't solve can be referred to Morton's research laboratory for quick, thorough analysis. This service help you get from Morton may be worth thousands of dollars to you every year.



*This solar salt is stockpiled, then moved by barges and loaded aboard ships for delivery to industry.*

## for every industrial use, coast to coast



- ▲ Salt Sources
- ▲ Warehouses
- ▲ Sales Offices

Only Morton is equipped to serve any kind of industry, anywhere in America

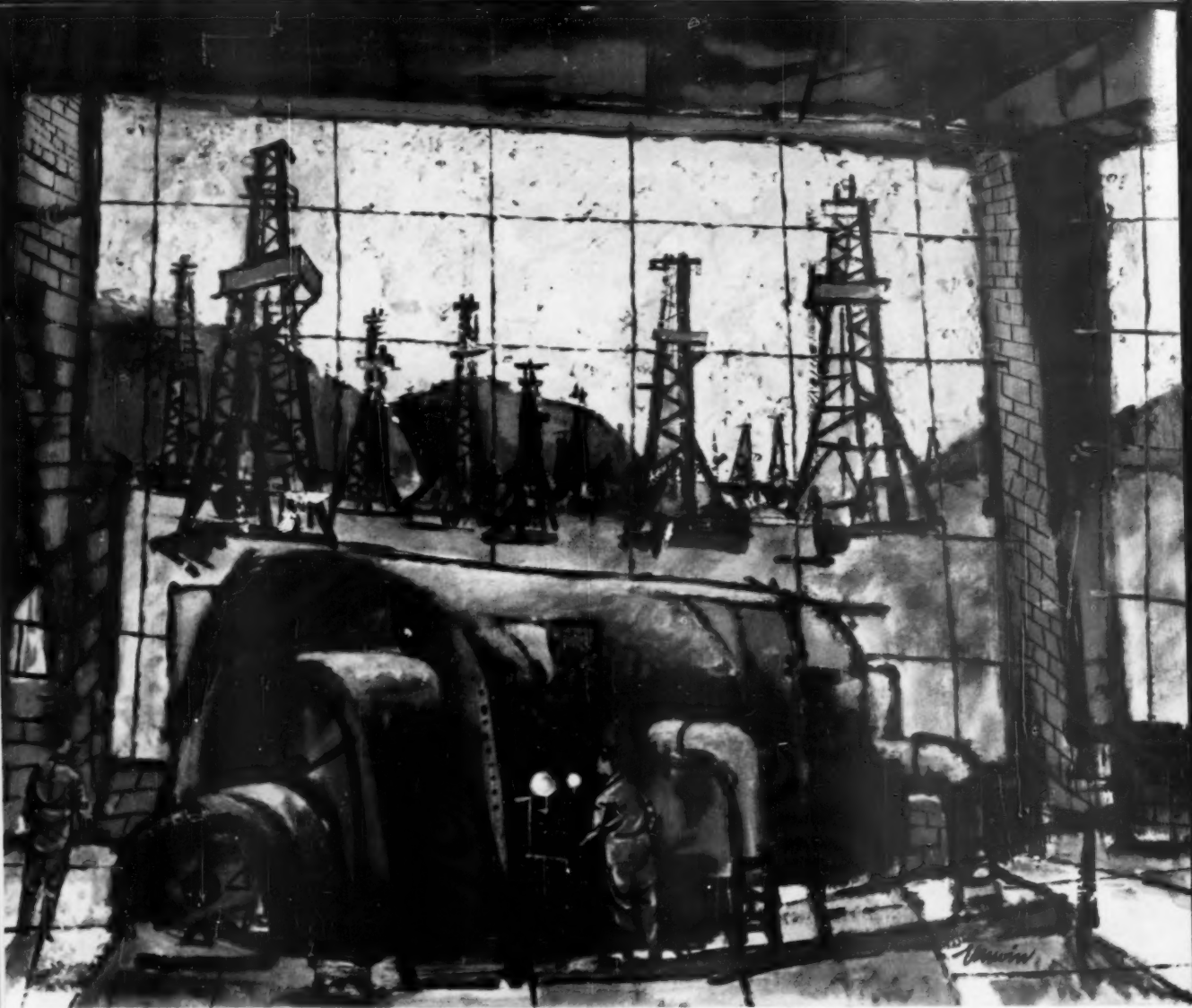
Morton has salt sources that span the country, reach into Canada and the Bahamas. Morton has sales-service offices in all key cities. Morton also has the world's finest salt research laboratory to serve you. It's easy to see why only Morton can offer you fast delivery of the right salt for the right job at the right time, anywhere in the country.

### **MORTON SALT COMPANY**

INDUSTRIAL DIVISION

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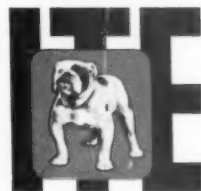


**DIESEL POWER GENERATING PLANT:** one in a series of great sources of power

## HOW RAW POWER CAN SERVE YOU BEST

Raw power's ability to serve man's needs is limited only by the efficiency of the electrical system used to control it. Creating systems to help business use raw power *most* effectively has been a specialty of the BullDog organization since 1903. As a division of I-T-E, BullDog also has access to the full resources of all other I-T-E divisions in answering your problems. If you're needing either to expand or to modernize your electrical system, you couldn't do better than to consult your BullDog field engineer. He can show you how to utilize raw power with maximum efficiency—and minimum cost. Write us for his name.

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# BULLDOG

BullDog Electric Products Company • Division of I-T-E Circuit Breaker Company, Detroit 32, Michigan • BullDog Export Division: 13 East 40th Street, New York 16, New York. In Canada: BullDog Electric Products Co. (Canada) Ltd., 80 Clayton Rd., Toronto 15, Ontario.



gional director who is in charge of the drive against the Cross union in Chicago. "Shop stewards and business agents tipped us. It gave the workers who were disgusted with B&C a confident feeling that the AFL-CIO was backing them up."

• **Teamsters' Support**—Cross, however, was able to draw on a pledge of support from Teamsters' Pres. James R. Hoffa, who helped B&C with some organizers. Bulky Barney Baker—now in trouble with the McClellan committee—was seen around several of the contested bakeries. But Teamsters' muscle men more or less behaved themselves; there were few reports of violence, although there was at least one instance reported of an attempt to buy votes.

The bitter bread of banishment was, perhaps, first tasted by the Cross union when the first election results came in from Zion Baking Co. on Aug. 13. It was at Zion, the McClellan committee charged, that Cross and employer Martin Philipsborn entered into a "sweet-heart" contract. And, too, Zion foremen distributed literature for the B&C during the electioneering. Employees voted 205 for ABC-AFL-CIO and 11 for Cross dominated B&C.

• **More Hurdles**—But even with the election victory in hand, ABC isn't over the hurdles yet in Chicago. There is still a mountain of litigation involving pretty nearly everything from the seizure of Local 1's office by the AFL-CIO group to the elections themselves.

While defending itself in the courts, the Chicago ABC local must prepare to negotiate a number of individual contracts with a dozen or more local bakeries when present agreements start running out in October. Employers may find these negotiations colored to a large extent by the recent elections. A certain amount of bidding against one another occurred, and the winning union may feel that it must live up to promises to drive a better and harder bargain than its rival B&C ever could.

There is also the complication presented by the Teamsters union, which has worked with Cross' union in the past and which has agreements coming up for negotiations with bakery employers. Will the Teamsters try to put AFL-CIO on the spot? And, if so, will employers pay the price? No one dares predict the outcome.

## II. In the Restaurants

Several weeks ago, in downtown Chicago, a "mystery" leaflet was handed out to passers outside Windy City restaurants. The leaflet asked restaurant patrons if they thought the Chicago Restaurant Assn. was "some sort of racket"; were restaurant operators who sat before TV cameras being probed by McClellan committee Counsel Robert

Kennedy "a bunch of crooks," or "victims of a bad situation"?

The leaflet—though no one knows who circulated it or if anyone answered any of its questions—symbolizes some of the differences between the case of the disenchanted bakers and the racket-ridden Chicago locals of the Hotel & Restaurant Employees & Bartenders International Union.

First, gangsters—mostly remnants of the old Capone gang—are deeply entrenched in Chicago's restaurant industry, while it is not so clear that the Chicago locals of the ousted Bakery & Confectionery Workers are so completely hood-dominated. Second, the public is much more directly involved. Third, employers are more directly culpable for corruption in the industry. Finally, the cleanup action so far taken by the international union is of a different character than that taking place in the baking industry. It does not involve the individual worker so directly; the responsibility for the cleanup rests clearly with the officers of the international union.

Some observers believe that the cleanup now under way in Chicago restaurant unions is a case of the blind leading the blind.

The cooks and bottle washers of Chicago gangsterdom have been in business since prohibition. There is a yellow, dog-eared charter on file in the international headquarters of the Hotel & Restaurant union in Cincinnati that is eloquent, though silent, testimony to the racket infiltration of the union. It was issued Aug. 12, 1935, to Joseph J. Aiuppa, as secretary, and George B. McLane, as organizer. Aiuppa, who thus became "father" of Cicero's Hotel, Club, Restaurant Employees & Bartenders Union, Suburban Local 450, was an ex-con and mobster, who supplied killer John Dillinger with machine guns. McLane, one-time \$275-a-week president of a Chicago bartenders local, was subsequently dumped by the mob when he lost a 1938 bid for the presidency of the international union.

• **Misunderstanding**—At that convention, one of the delegates was organizer and union vice-president Edward S. Miller, now president of the 441,000-member Hotel & Restaurant union. "I thought it was just a union political fight," Miller says in recollecting the Capone-mob bid for domination of his union. "I thought it was hearsay about the mob. It wasn't until years later that I learned that gangsters were trying to take over. It all came out in court."

In 1953, Miller, as secretary-treasurer of the union, signed a renewal of the Local 450 charter along with the then Hotel union president Hugo Ernst. Miller says he does not remember details of the reissuance of the charter—the 2,359-member local was changing its name

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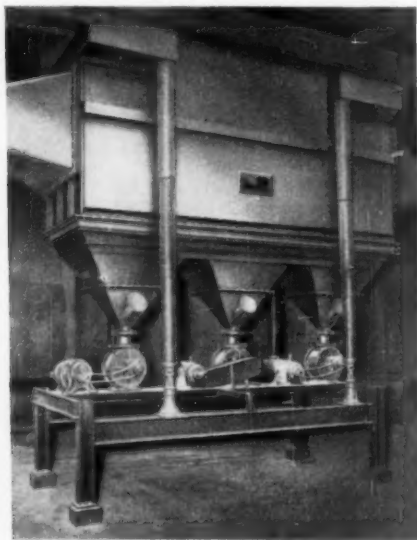
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and possibly enlarging its jurisdiction—but, he added: "All those boys up there have been in the union for 25 years or better."

• **Impetus**—When the McClellan committee began its probe of the Chicago restaurant industry, Miller finally acted. He immediately placed Local 394, a Chicago South Side Cooks, Waiters & Waitresses union, into trusteeship. He ordered the move after James F. O'Connor, president, and Frank Trungale, secretary-treasurer, resigned. Both invoked the Fifth Amendment before the McClellan committee this summer when asked about shakedown and hoodlum connections. When Daniel Leonardi, senior business agent of infamous Local 450, and its secretary-treasurer, Louis Madia, took refuge in the Fifth several days later, Miller placed the Cicero local into trusteeship. The Local 450 officials did not resign, and Miller had to toss them out on the grounds that they violated AFL-CIO's ethical practices code.

• **"Watchdog"**—As the McClellan committee probed deeper into the mess, Miller appointed a "watchdog" committee to clean up the Chicago locals of his union. The union's executive board authorized a \$50,000 expenditure for cleanup work in Chicago.

Miller went on to place the Chicago Joint Executive Board of the union in trusteeship, ousted all its officials and ordered his watchdog committee to:

**Look into the affairs** of each of the 11 Chicago locals to "ascertain if any of the local unions or their officers are in compliance with the six codes of the AFL-CIO Codes of Ethical Practices."

**Inspect every restaurant contract** "not only in the union offices, but . . . in the establishments that are covered by these agreements."

**Study labor relations** in the Chicago restaurant industry "in an effort to develop a plan of action which can be expected to gain the support of decent restaurant employers who share our desire for collective bargaining in the interest of restaurant workers."

**Interview members** on the treatment they received from union officials, especially on wages and working conditions.

• **Prompt Action**—The watchdog committee immediately ordered stoppage of the payment of dues and initiation fees by employers. The action was taken to determine who is in the union, and who is but doesn't know it. The step is expected to eliminate some "sweetheart" agreements as well. The committee also embarked on an audit of all local union records, functions, and contracts. It organized survey teams of trusted union officials to check membership lists.

Miller, on the recommendation of the committee, revoked the charter of

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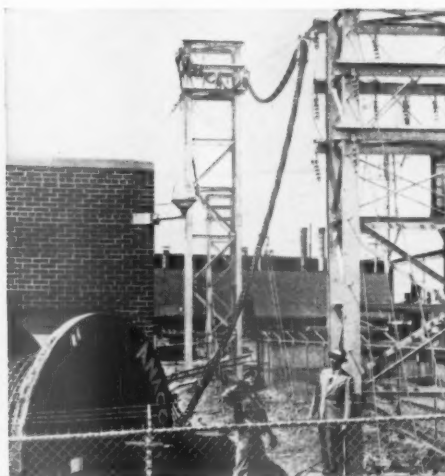
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Local 394 and Soda Fountain Local 3 "... because the members are deserving of proper protection." Questionnaires have been mailed to all the members of the two locals to check on membership and job status.

• **Signs of Progress**—Some out-of-Chicago officials of the Hotel & Restaurant union have expressed some skepticism about the cleanup operation. While they favor it, they feel hopeless. "The mob is just in too deep," says one. "Throw out the top bunch and there will be another lot underneath." But

others see some progress. "There will be some collective bargaining from now on at unionized restaurants," says one Chicago labor observer. "I don't think that the Restaurant Assn. will be collecting money from restaurant owners and turning it over (\$125,000 a year) to lawyers to pay off union officials. That was scotched by the McClellan committee exposures."

But whether or not the cleanup of the restaurant workers union actually is going to get the gangsters out and keep them out remains to be seen.

## Ax Aimed at Hoffa via Gibbons

McClellan committee starts formal investigation of Harold J. Gibbons, Hoffa's lieutenant. Rank-and-file dissidents also open direct action to remove Hoffa.

In Washington and New York, efforts to cut Teamster chief James R. Hoffa out of the herd of labor leaders began coming to a climax this week.

In Washington, after two weeks of preparation by a parade of union plug-uglies, goons, and payoff men to the witness stand, the McClellan investigating committee called the key man—Harold J. Gibbons, the Teamsters' No. 2 man. As Hoffa's lieutenant, Gibbons is the No. 2 target of the committee.

In New York, dissident rank-and-file Teamsters asked the court-appointed monitors of the union to remove Hoffa as president, on about 260 charges of abuse of office.

The monitors—Martin F. O'Donoghue, Washington lawyer; Godfrey P. Schmidt, representing anti-Hoffa groups in the 1.4-million-member union; L. N. D. Wells, Jr., representing the union's officials—were appointed by U.S. District Judge F. Dickinson Letts last January (BW—Feb. 1 '58, p. 107). They have been bringing pressure on the Hoffa regime to clean up some of the rougher spots around the country. But their power has been disputed, and their authority to carry out the rank-and-file request is in doubt.

### I. Getting at Hoffa

Since early August, the McClellan committee has sought to topple Hoffa, or at least isolate him from the rest of the labor movement, by showing connections between him and a host of unsavory characters who are still established in the Teamsters hierarchy. The committee feels it has shown Hoffa to be either unimpressed by wrongdoing or else powerless to act promptly against it.

Hoffa remains the No. 1 target (BW—Aug. 23 '58, p. 77). Before launching a frontal attack, however, the anti-

Hoffa forces plan a series of flanking movements, notably the major operation against Gibbons.

Gibbons has power in his own right. He is an international vice-president of the Teamsters, secretary-treasurer of the 12-state Central Conference of Teamsters (Hoffa's first base on the road to power), director of the union's National Warehouse Div., president of the Missouri-Kansas Conference, president of Joint Council 13 in St. Louis, and president of Warehouse Local 688 in St. Louis.

It's as Hoffa's executive assistant, though, that he is being put on the McClellan committee's carpet, primarily in the hope that through him Hoffa can be hurt.

• **Secondary Aim**—The senators have a second purpose, too. So far, the Teamsters have suffered a public black eye but nowhere near the injury that might have been expected without the presence and strategy of Gibbons.

Gibbons is often suggested as a logical successor to Hoffa if things get too hot—as a man who would be "acceptable" to the AFL-CIO for his honesty and devoted unionism, hence as a man who could lead a "clean" Teamsters union back within the fold.

However, AFL-CIO Pres. George Meany has indicated that the cleanup of Teamsters corruption would have to amount to more than mere removal of Hoffa or a simple switch of officers. And the McClellan committee clearly has embarked on an attempt to rip the facade of clean unionism from Gibbons.

• **Pinning the Rap**—Although Gibbons' part in the probe formally began on Tuesday, he was brought into the case as early as two weeks ago. That was when Barney Baker, self-styled "bum," told how he went to St. Louis in 1953 at Gibbons' bodyguard and helped there and elsewhere as a Teamster

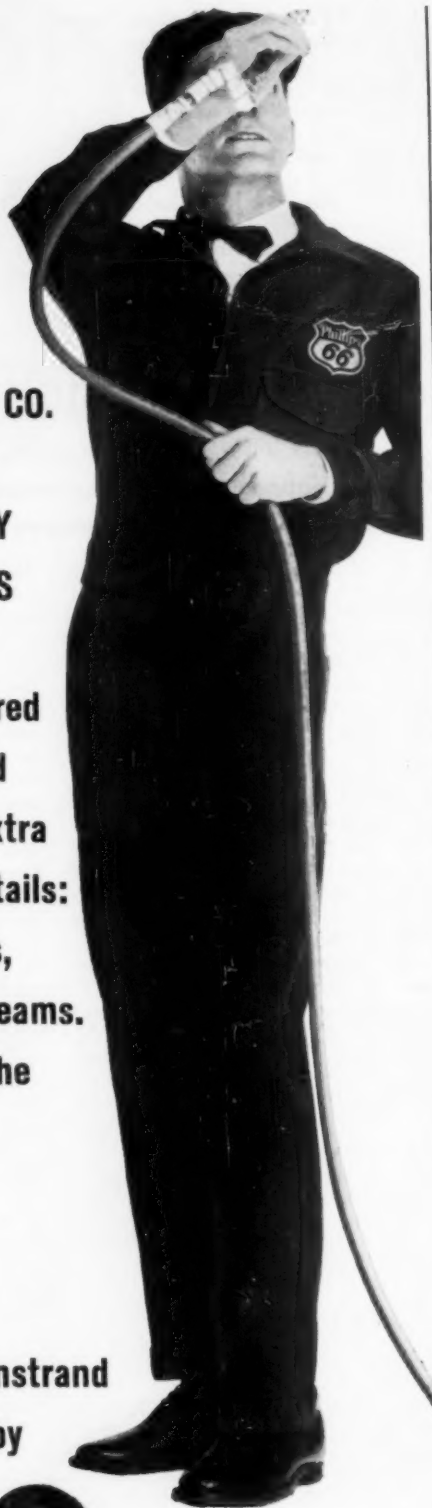
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Last week, too, Gibbons sat deadpan beside his mentor, Hoffa, as other witnesses, committee members, and counsel indicted him as the man who introduced violence and strikes to organizing in St. Louis, who bought his Local 688 from its officers in 1949, and who soon ousts any union member who doesn't "go along."

## II. Who Is Gibbons?

Although Gibbons sat in stony-faced silence through the preliminary hearings, he showed his characteristic touch as soon as it became clear what direction the investigation was going to take. The Teamsters' high-powered public relations corps, set up by Gibbons to replace an expensive outside firm, went into action, handing out their own biography of the man, along with a formal statement from St. Louis Local 688 defending his record.

The union biography describes Gibbons as "a student of economics, history, and the labor movement," and a "pioneer" in free medical care, guaranteed annual wage, and non-discrimination clauses. It points to Local 688 as "a showplace of American trade unionism, on the 'must see' list of State and Labor Dept. visitors from foreign countries."

- **From Mining Town**—Gibbons was born 47 years ago in Archibald Patch, Pa., where his father was a coal miner. He was the youngest of 23 children. When he was only 14 years old, his father died and the family moved to Chicago. Gibbons finished high school there, working at odd jobs to keep himself first in night school and later in daytime classes. He took courses at the Universities of Chicago and Wisconsin.

During the Depression, Gibbons worked on WPA adult education projects as a teacher and a writer of textbooks. His connection with education gave him the opening to organize and become first president of Local 346 of the American Federation of Teachers.

In 1937, he led an organizing strike of Chicago taxi drivers. He became a regional director of the CIO and, later, a Midwest organizer for the Textile Workers Union. In 1941, he was named director of the St. Louis Retail, Wholesale & Department Store Employees Union. He has been in St. Louis ever since.

- **Swift Rise**—Gibbons broke with the CIO in 1948, kept his store workers' union as an independent local for a year, and then engineered what the McClellan committee is attacking as the "sell-out" of St. Louis Teamsters Local 688. His local merged with Local 688,

and Gibbons came out as secretary-treasurer, the top executive spot, of a combined membership of around 8,000.

His rise has been swift since then. In 1953, he was made president of the 40,000-member Joint Council 13 of the Missouri-Kansas Conference of Teamsters. He was elected a vice-president of the international in October, 1957, and has been Hoffa's righthand man since then.

### III. Role in the Union

People who know the Teamsters well often describe Gibbons as the union's "intellectual" and its "idea man."

The chief pride of his Local 688 is its trail-blazing Labor Health Institute, founded in 1945 to provide free medical and dental care for union members and their families. His union also obtained a guaranteed annual wage as early as 1953. But the contracts cover only warehouse and distribution members and, so far, other Teamsters leaders haven't enthusiastically embraced the idea.

Gibbons has no record of arrests or convictions, except for a minor contempt of court sentence during one of his previous experiences with investigation. In 1954, a grand jury was probing St. Louis union racketeering. Gibbons drew the contempt of court ruling by refusing to turn over records of how union funds were handled. But the grand jury found no wrongdoing on his part, and he purged himself of the contempt citation in the end by turning over the records.

• **Hoffa Influence**—According to a biography by Robert D. Leiter, professor at the City College of New York—generally considered to be a friendly treatment—the “dominating influence exerted by Hoffa” on Gibbons has “changed his outlook from that of a relatively petty labor boss to that of a leader with a wider perspective and greater responsibility.”

Leiter also says it is the employers who have come to deal with Gibbons in the past few years who “are most pleased with him,” while those who know him from the days when he merely led a warehouse local are “annoyed and more critical of his behavior.”

• **The CIO Touch**—Old associates from Gibbons’ CIO days say he is responsible for the “CIO touch” that keeps appearing in the once-stolid Teamsters union. He reportedly arranged the spectacle of cheering, stamping delegates—so foreign to Teamsters traditions—that hailed Hoffa’s election as president at last year’s convention in Miami.

For all his reputation as an egghead, Gibbons is also rated as a master negotiator. He acted for Hoffa several years when the International Longshoremen’s Assn. made overtures to the

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Teamsters, when the truckers were still in the AFL-CIO fold while ILA was on the outside.

During the past year, most of Gibbons' energy has been going into creating a new image of Hoffa as the reformed teamster. The success of this effort is now being tested by the McClellan committee probe.

It may well be that Gibbons will attempt to attach this "reformed" label to himself before the McClellan committee. And it may work. Even the police witnesses who detailed the link of strike violence with locals dominated by Gibbons had to admit that violence hasn't flared up in St. Louis in the past few years.

## Lingering Ties to Teamsters

Joint promotion of Toledo's Labor Day illustrates how AFL-CIO can still deal locally with exiled union.

Although the AFL-CIO executive council recently ordered all affiliated unions to break off alliances with the Teamsters, it left the way open for "informal working agreements" at local levels. George Meany, president of the federation, roundly denounced pacts with the outcast Teamsters but carefully noted that, as long as there are no abuses, "gentlemen's agreements" in limited areas will be tolerated.

There is a good reason for this policy. AFL-CIO's quarrel is with the Teamsters' top leadership and with certain corrupt—or suspect—lower-level officers. It flatly forbids agreements of any kind with all of these. But, it acknowledges that there are "good" Teamsters leaders in many communities and it is anxious to preserve quiet close relations with as many as it can.

• **Toledo's Festival**—Just what this "gentlemen's agreement" program of collaboration may look like could be seen in Toledo this week. All labor there, including the Teamsters, got together on Monday for an "old-fashioned" Labor Day observance. Its announced purpose was to counter what Toledo and other labor leaders feel, with concern, to be a growing "flabby" disinterest.

Lawrence N. Steinberg, president of Toledo's Teamsters Joint Council and close follower of James R. Hoffa, proposed the Labor Day celebration in July—weeks before the AFL-CIO crack-down on alliances. Richard Gosser, a power in the local and state CIO, still unmerged with the state AFL, liked the idea, and worked with Steinberg.

It's doubtful that AFL-CIO feels much more favorably toward Steinberg than to other Hoffa associates. Anyone close to the Teamsters president is considered suspect. But, in this instance, AFL-CIO did not interfere.

• **Politics**—The "festival" that combined a community spectacular—from a band concert to fireworks—with union evangelism having strong political overtones attracted 50,000 to Toledo's Walbridge Park, despite a 58-deg. temperature. The unions had hoped to turn out 100,000, but said that half

that number made the program a whopping success. Earlier in the day, the city's labor leaders gathered at a Labor Day Mass to hear Msgr. George Higgins, director of the National Catholic Welfare Conference's Social Action Committee, speak out against right-to-work legislation.

Two things add to the significance of the Toledo union-sponsored Labor Day program. First, under adroit leadership, feuding and unmerged AFL and CIO organizations were brought into an unofficial collaboration. Second, the program this week was the obvious reason for cooperation, but not the most important one; continued year-round collaboration on matters of mutual interest is projected.

• **Annual Affair**—In effect, a citywide organization was established (originally, the Toledo Trade Union Legislative Conference was suggested as a name) to sponsor annual Labor Day festivals. Set up on a permanent basis, the organization plans to push labor's views, cooperatively, on matters of community interest—from political candidacies and tax levies to such local matters as expressway plans, park beautification programs, and expanded city recreational facilities.

When AFL and CIO are merged in Toledo, Steinberg's direct influence—now strong in AFL—will be ended; he can have no place in a city AFL-CIO body. But, Steinberg may continue to influence local union policies and decisions as long as the new united labor program isn't upset in Toledo.

Nationally, even before the AFL-CIO crackdown on pacts with the Teamsters, local leaders of the truckers union were reported making "feeler" approaches to AFL-CIO local groups for similar informal organizations, to be set up on a permanent basis to mobilize labor's solid strength to cope with local problems. It's a good bet that if what appears to be a Teamsters effort to devise an "informal" network of local alliances threatens AFL-CIO city central bodies, the policy of tolerating local working agreements will be short-lived. **END**



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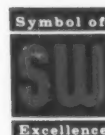
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# In Labor

• • •

## Musicians Guild Signs Hollywood Pact; Rival AFM Calls It a "Sellout"

The war among musicians goes on.

Agreement on a new 39-month contract covering 1,200 major Hollywood studio musicians was reached last week between the major Hollywood motion picture studios and the Musicians Guild of America, Ind. Eliot Daniel, president of Musicians Local 47, affiliate of the AFL-CIO American Federation of Musicians, immediately called the new pact "a sellout."

Under the new contract, the studios make no guarantees of employment. But for the first time, producers agreed to record a portion of a TV series with live musicians. For a series of 39 half-hour dramas a minimum 9-hr. recording session will be made. Special provisions also were made for other TV filming. Musicians scales will run from \$55 to \$63.25 per man for each three-hour session, against \$48.21 under the old pact.

The Guild-Hollywood agreement, charged AFM's Daniel, whose local lost an election to the Guild (BW-Jul.19'58,p70), "represents a backward step. . . . It sacrifices . . . guaranteed employment. It surrenders the musicians' rights in the product he produces so he now can record himself out of his livelihood. . . ."

But AFM's troubles do not end with the contract gains scored by a rival. Ray Toland, a Local 47 rebel, has asked for a court appointment of a receiver to straighten out what he charged was the local's insolvency, or near insolvency. At the same time, the AFM announced the filing of union charges against Toland and nine others assertedly for going to court without exhausting their remedies within the local. Toland's attorney claims that the charges are an attempt to make Toland ineligible to run as rebel candidate next December.

• • •

## Labor Settlements Keep Coming, With Wages Favored Over Fringes

While many in management and labor eye Detroit anxiously for storm signals, collective bargaining this week remains pretty much as it has been this year so far—fairly quiet.

- Associated Industries of Cleveland reveals after study of 177 contracts that this year has brought a weighted average increase of 7.28¢ an hour, excluding fringes. Emphasis, says AIC, has been on money, with fringes cutting "relatively little ice." Contract language on seniority, along with discipline, discharge, and job evaluation, has been tightened up. And, says AIC, there has been a real effort to eliminate unproductive time practices.

- Airline pilots this week secured an 8% wage increase in a contract signed between Eastern Air Lines and the Air Line Pilots Assn. The contract doesn't settle the

controversial issue of whether the third man in future commercial jets should be pilot-qualified (BW-Feb.8 '58,p91).

- Milwaukee building trades unions settled their contract negotiations on the basis of a 15¢ hourly increase. Plumbers and Steamfitters raised the journeymen's rate of both unions to \$3.51 an hour. But market and employment conditions caused the Amalgamated Clothing Workers of America to extend their present contract with employers in the cotton garment industry without change for three years.

• • •

## NLRB Reverses Itself, Will Open Pre-Hearing Statements to Defendants

Management or union defendants in National Labor Relations Board cases are now entitled to see pre-hearing statements by board witnesses. The board last week reversed its earlier ruling, after the U.S. Court of Appeals held that NLRB proceedings were covered by the Supreme Court decision in the Jencks case (BW-Sep. 14'57,p179).

In the Jencks case, the high court held that a defendant in a criminal case was entitled to see any pre-trial statements made by government witnesses. The NLRB held a year ago that its proceedings were not covered by the Supreme Court ruling on the ground that it did not apply to administrative proceedings.

The NLRB reversal involved Ra-Rich Mfg. Corp., which had been found guilty of unfair labor practices last spring. The company asked to see pre-hearing statements by witnesses against it. The board decided to grant the request and re-open the case.

• • •

## Rail Strike Over Jobs Hangs Fire While Court Weighs Injunction

A strike against the Chicago & Northwestern Ry. by the AFL-CIO's Order of Railroad Telegraphers hung fire this week while a U.S. District Court heard final argument on a company petition for a permanent injunction against the union.

The union demanded that no telegrapher's job in existence Dec. 3, 1957, be discontinued or eliminated without agreement between the union and the eight-state railway. The CNW contends that such a demand can't be brought up under a contract running to Nov. 1, 1959. The union says the agreement doesn't bar moves to "stabilize" employment.

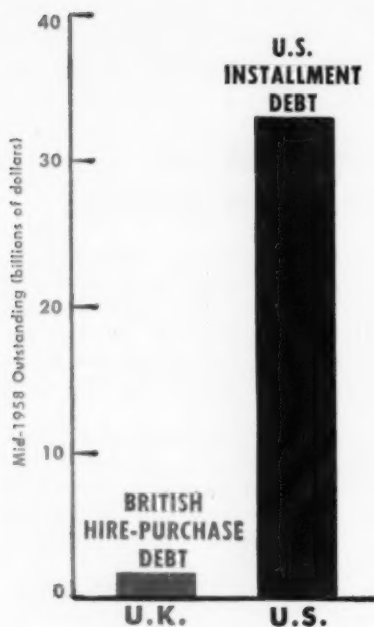
The union charges that jobs have been abolished. George E. Leighty, union president, testified in preliminary hearings that second- and third-shift yard office and relay positions had been knocked out by the company.

Robert W. Russell, CNW attorney, contends that the union demands would block modernization of the company's maintenance of way procedures, plans for centralized traffic control system of the 9,000-mi. railway, and prevent "dieselizing its system."

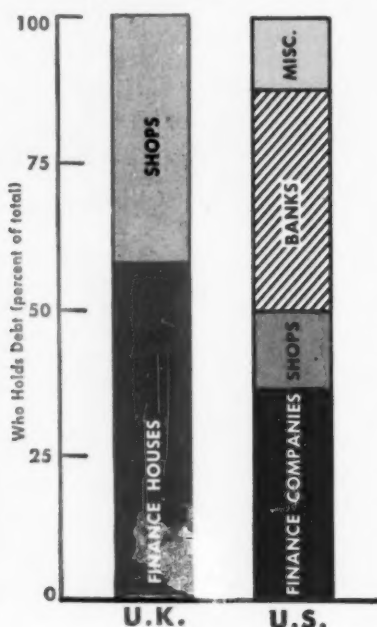
## FINANCE

### How Britain's growing Hire-Purchase debt compares with U.S. consumer installment credit

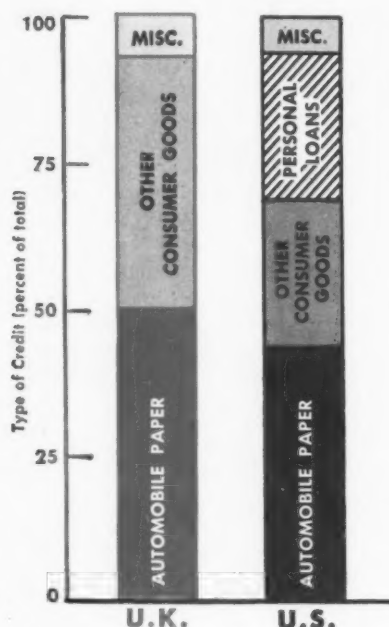
In size, it's still tiny ...



... and up to now banks have not engaged in consumer credit financing directly ...



... but its composition shows much resemblance



© BUSINESS WEEK

## Now Banks Are in the Business

Installment financing in Britain, where it is called "hire-purchase," is still a small business compared with that of the U.S., as the chart shows. But it is growing fast, and last month's entry of banks into ownership of finance companies or "hire-purchase" houses will spur the growth.

Until July, government regulations prevented the more than 1,000 hire-purchase houses organized in the last four years from issuing new stock. Then the Chancellor of the Exchequer allowed new securities issues in order to strengthen the issuers' financial status. His order also allows banks to buy this stock.

Barclays Bank, one of England's Big Five (the others are Midland, Westminster, Lloyds, and National Provincial), was first to move. It bought a 25% stock interest in United Dominions Trust, a large hire-purchase house.

With July's lifting also of government restrictions holding down expansion of loan volume, British banks also went into another area of consumer credit that is new to them: unsecured personal loans. Barclays made the first such loan last Friday, one business day

before the Midland Bank, which had announced the plan first on Aug. 26.

At last count, four big banks had announced similar plans on personal loans, while 11 banks in England, Scotland, and Eire had bought interests, ranging from 20% to full ownership, in nine of the 12 hire-purchase companies belonging to the Finance Houses Assn.

### I. Hire-Purchase

Installment buying is far less an ingredient of family life in Britain than in the U.S. As the chart shows, only about £503-million (around \$1.4-billion) was outstanding at the end of June, 58% of it owed to finance houses and the rest directly to stores where purchases were made. Nearly half the total is for autos and trucks, another 25% for furniture, 18% for appliances, baby carriages, and bicycles.

At the end of 1957, per capita installment debt in the United Kingdom amounted to less than \$28, compared with \$196 in the U.S.

However, interest in buying on time has been increasing, particularly in the past five or six years. Manufacturers

and marketers are eager to foster this kind of credit as a booster to sales of consumer durables.

• **Banks Held in Check**—The big rise in hire-purchase houses came during the four years when the British Treasury's anti-inflation orders kept the banks from either increasing their loans to the finance houses or entering the hire-purchase business themselves.

The demand for installment loans was so great, with customers willing to pay interest and other charges up to 25% a year, that the finance houses prospered. The lending funds that they couldn't borrow from the banks they raised by soliciting time deposits from the public, offering as much as 6½%. This is a source of funds that isn't available to U.S. finance companies, which depend on bank loans and the sale of commercial paper.

It was also a business where the banks couldn't compete. While their lending opportunities were restricted by government orders, the banks have been able to offer only 3% on time deposits. Now the difference between the rates paid should narrow. Hire-purchase houses will be less dependent on time



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Curiously, one of the earliest known chemical compounds, caustic soda, contributes hugely to making life today so different. Formulation of most cleaning agents . . . soaps, detergents, specialized industrial cleansers . . . cake, flake, powder or liquid . . . depends on the versatile properties of this antique among alkalis. Caustic soda's selectively voracious appetite removes unwanted materials and permits further processing of the brand name

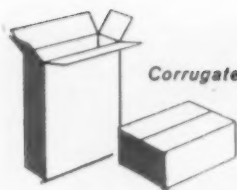
cleaning products consumers, with good cause, trust.

This is but one of many ways industry uses Columbia-Southern caustic soda. Hundreds of quality products, in similar fashion, are dependent for economical processing on Columbia-Southern chlorine, soda ash, caustic potash, hydrogen peroxide, and other basic or specialty chemicals. Are you familiar with them all, and the high degree of service that is part of their sale?

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From conveying chemicals to cradling glassware to coddling business machines or gasoline pumps, America's shippers assign rare and wonderful responsibilities to Fort Wayne corrugated containers. We suppose it's because we know so much about shipping problems and how to design containers that solve them. Or because shippers find us well equipped, experienced, competent and dependable.

Anyway, have you got a product that presents a rare and wonderful shipping problem? Because we know where you can get it solved. Ask us.

*P. S. We also know something about common, ordinary shipping problems.*



The new ton-capacity Fort Wayne Pillar-Pac for bulk chemicals is an example of advanced design and manufacturing techniques applied to meet modern shipping requirements.



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A copy of the company's latest financial report may be obtained by writing to Harold M. Treen, President, Fort Wayne Corrugated Paper Company, Fort Wayne 1, Indiana.



50<sup>th</sup>  
YEAR

deposits, now that banks can expand their lending to them, and will doubtless cut their rates.

• **Breaking Tradition**—Banks are rushing eagerly into association with the hire-purchase companies, and they are being warmly welcomed. But not all banks take to the idea. Many old-school bankers still feel that any connection with hire-purchase is beneath a banker's dignity.

Advocates of the new relationship predict that bank earnings will be improved two ways: by dividends from their ownership of hire-purchase companies and by having a new major outlet for their own lendable funds.

The easing of credit restrictions helps the finance houses, of course, whether or not they are associated with banks. It gives them access to bank loans at rates less than they have to pay the public for time deposits. But these houses see advantages in being linked with banks, such as finding a ready buyer for their stock issues and having a friendlier source of credit.

Stockholders of United Dominions Trust, in fact, grumble that the terms of stock sale to Barclays were too favorable. The bank bought 1-million new shares of UDT ordinary (common) at £4, when the market quotation before the announcement was around £5. UDT also distributed 1-million 4½% irredeemable preference (preferred) shares as a "free issue" (stock dividend) on the basis of one for every four shares of ordinary stock, including the new shares held by Barclays. Barclays will have one director on UDT's board but won't participate in day-to-day operation of the business.

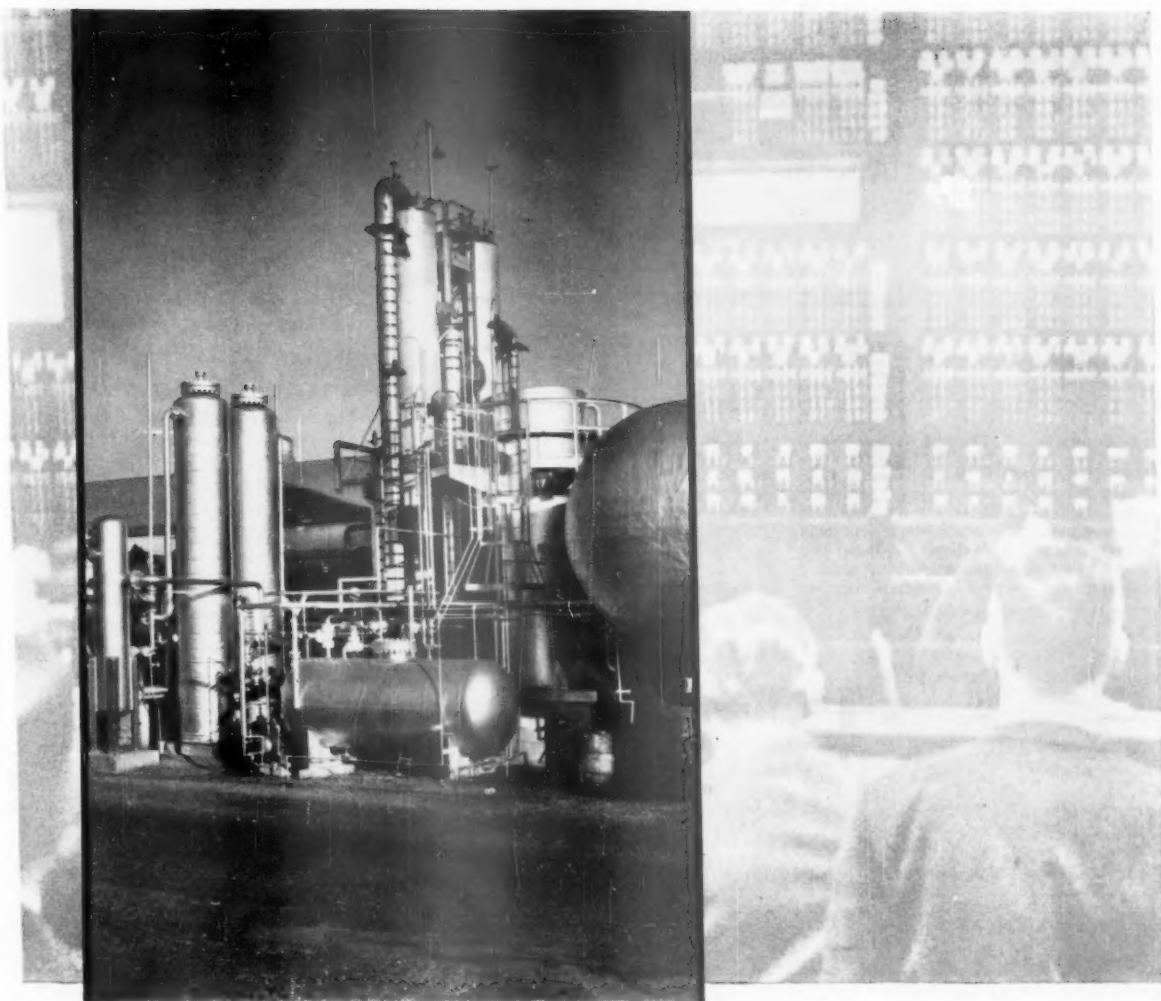
## II. Personal Loans

In the U.S., personal loans account for about 25% of the outstanding consumer credit, but in Britain they are rare. Not that a bank wouldn't make an unsecured personal loan now and then—if a bank knew a man well and the loan was clearly within his means to repay, it might lend to him without security. But this would be an exception, and such business was never sought after.

This attitude is characteristic of banking in Europe and in most of the British Commonwealth. Canada is a notable exception, more accustomed to the idea of installment credit. Most Canadian banks don't go out after this business.

• **New Loan Plan**—Under the plan that the first few British banks have initiated in the last several days, any customer of a bank who can convince the loan manager of his high credit rating will be allowed to borrow up to £500 (about \$1,400) at 5% a year or an effective rate of 9½% a year. He posts no collateral, pays back on a monthly schedule. The rate is well below the hire-





*Turns waste gas into dry ice...through*  
**Pritchard's GOOD FINANCIAL DESIGN**

How to make dry ice economically from impure waste CO<sub>2</sub> gas. That was the crux of the problem in the design and construction of Allied Chemical's dry ice plant at Hopewell, Va.

J. F. Pritchard & Co., engineers and contractors for the plant, not only found the answer but devised a unique process (now patented) that enabled Allied to strip out the contaminating elements—hydrogen and nitrogen—and use them to produce ammonia. Allied completely utilizes its raw gas and turns what looked like a waste material into marketable commodities.

This is another example of Pritchard's good financial design in action in the chemical industry. But good financial design is more than creative engineering alone, more than astute planning and purchasing, more than cost-conscious construction. It's the combination of these

factors in such a way that a Pritchard-built plant makes maximum return per dollar invested.

Pritchard's broad experience in building chemical facilities and sound business approach to technical construction are at your service—to help you build for greater profits. We'll be glad to send you details of our complete engineering and construction service for the chemical industry.

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cold rolled strip**

**especially advantageous for deep drawing requirements**

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in a new product with many fabricating advantages. For deep drawing and intricate forming operations, superior yields and lower costs may be anticipated. The extent to which this new product may benefit your product deserves immediate investigation. Your inquiry will receive our prompt and interested attention.

J&L STAINLESS AND STRIP DIVISION produces a full line of restricted and standard specification strip steel in these grades and types:

Low Carbon	Electrolytic Zinc,
High Carbon	Tin, Copper and
Tempered	Brass Coated
Spring Steel	Alloy
Molten Zinc Coated	Stainless
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SINCE 1880

purchase house charges, which range up to 25% a year.

Loans can be taken out for almost any purpose, including house repairs or the purchase of cars, furniture, or household appliances.

Banks that announced the new loan service report early enthusiasm from customers and branch managers. But they warned that managers will still emphasize personal knowledge of the applicant's integrity in deciding whether to approve a loan. As a top officer of Barclays puts it, a banker must be concerned with character first and security second.

• **Lloyds Holds Out**—Not all the big banks have announced plans for personal loans to customers, but most have indicated that they will do so. It hasn't been entirely the force of tradition that has kept them from the personal loan business up to now, they say.

"This idea is on the American pattern and has been on our minds for many years," says a Westminster Bank spokesman. "But the banks obviously could not put it into operation during the credit squeeze."

The one big dissenter is Lloyds Bank, which says it doesn't plan to follow the others in the Big Five of banking in Britain. Lloyds says its managers already have wide discretionary powers in lending and existing loan facilities are adequate to care for customers' needs.

• **Competition Ahead**—Just as banks and finance companies compete in the U.S. for consumer loan business, it is expected that British banks and hire-purchase houses will compete.

The banks have one or two advantages on their side. Under British law, interest on personal loans from banks is deductible for tax purposes while hire-purchase charges are not. Also, a bank borrower is covered by life insurance taken out by the bank, so the loan is automatically paid off if he dies.

Bankers declare that their new loan service isn't intended to compete with hire-purchase agreements, but many people in both businesses don't see it that way. They expect the lower rates on the new bank loans soon to force the finance companies to reduce their charges, and the finance companies concede that the expected reduction in their own money costs makes this move less painful. Retailers, including stores and Ford of England auto dealers, have already announced reductions in credit charges. Even mortgage houses have begun to shave interest rates.

As the London stock market sees it, the banks stand to come out best in the competition. Bank shares are holding up far better in price than those of finance companies, which suffered sizable losses right after the first announcements of the banks' formal entry into the personal loan business. **END**



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**PROBLEM:** As with most users of returnable cartons, National Brewing Co., Baltimore, wanted to cut the cost of replacing worn-out cartons. They were looking for a way to keep cartons attractive and appealing to the eye for longer periods of time.

**SOLUTION:** After extensive field tests with other materials, National Brewing found that only Du Pont "Mylar"† polyester film—laminated to printed board stock\*—provided the necessary

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**RESULTS:** The laminated surface of "Mylar" has helped National Brewing extend the life of returnable cartons . . . cut replacement costs. "Mylar" makes the colors sparkle . . . it helps accentuate brand identification. From a performance standpoint, tough, durable "Mylar" resists scuffing, dirt and moisture . . . cartons are kept clean and sparkling. What's more, surface grime can be washed off periodically without danger

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— FIRST-HALF NET EARNINGS —  
(In Millions)

1958	Rank	1957	Rank	CHANGE — 1958 vs. 1957
American Tel. & Tel. *	1	\$417.9	3	+ 4.0%
General Motors Corp.	2	481.2	1	— 30.2
Standard Oil (N.J.)	3	463.0	2	— 37.1
E. I. du Pont de Nemours	4	201.2	5	— 27.4
Texas Co.	5	165.1	8	— 16.1
United States Steel	6	231.4	4	— 41.5
Standard Oil (Cal.)	7	136.3	9	— 14.4
Gulf Oil	8	171.1	6	— 32.3
General Electric	9	127.8	10	— 19.1
Socony Mobil Oil	10	126.8	11	— 46.8
Bethlehem Steel	11	103.7	12	— 48.2
Standard Oil (Ind.)	12	82.6	14	— 36.5
International Bus. Machines	13	40.1	24	+ 26.3
Union Carbide	14	69.6	16	— 28.3
Sears, Roebuck & Co.	15	**55.0	17	— 12.7
Shell Oil	16	75.3	15	— 39.4
Eastman Kodak	17	40.2	23	— 7.2
Consolidated Edison (N.Y.)	18	32.7	30	+ 13.9
Procter & Gamble	19	34.3	28	+ 6.7
Phillips Petroleum	20	53.4	18	— 31.8
R. J. Reynolds Tobacco	21	28.2	42	+ 27.0
International Paper	22	37.9	25	— 20.1
Westinghouse Electric	23	30.6	32	— 2.1
Commonwealth Edison	24	28.1	44	+ 6.4
Union Pacific	25	33.8	29	— 12.0
Goodyear Tire & Rubber	26	35.9	27	— 24.2
American Tobacco	27	23.3	59	+ 16.3
General Foods	28	24.0	57	+ 10.7
Consolidated Natural Gas*	29	25.5	53	+ 2.4
Columbia Gas*	30	21.5	68	+ 20.4
Sinclair Oil	31	44.8	21	— 44.7
Republic Steel	32	52.9	19	— 54.8
General Telephone*	33	23.2	61	+ 0.6
Kennecott Copper	34	49.3	20	— 53.5
American Electric Power*	35	22.2	64	+ 3.2
Southern Pacific Co.	36	23.1	62	— 2.1
Weyerhaeuser Timber	37	28.1	43	— 19.9
National Dairy	38	22.4	63	+ 0.4
United Aircraft	39	25.7	50	— 13.1
Philadelphia Electric	40	20.9	71	+ 6.4
Tennessee Gas Transmission*	41	14.2	—	+ 52.1
Atchison, Topeka & Santa Fe	42	25.5	51	— 16.0
Firestone Tire & Rubber	43	28.4	40	— 25.2
Public Service Elec. & Gas*	44	21.0	70	+ 0.5
American Home Products	45	19.1	—	+ 10.0
Armco Steel	46	28.6	38	— 26.7
National Lead	47	30.1	33	— 30.5
Continental Oil	48	23.7	58	— 14.8
So. California Edison	49	15.4	—	+ 31.2
Inland Steel	50	29.8	37	— 32.5
General Dynamics	51	20.3	74	— 1.4

\*On consolidated basis. †6 months ending May 31. \*\*5 months ending June 30. NB. Table based on published first-half earnings reports. Some companies not yet publishing such reports, including Pacific G. & E. and Great Atlantic & Pacific Tea, may rightfully belong in it.

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## Some Lost in Shuffle

Chills on profits in the first half of 1958 were by no means confined to the corporate middle and lower classes. The ranks of the nation's biggest money-earners (not counting financial corporations) underwent the greatest reshuffle in many years, even

in that ultra-elite echelon of corporate society made up of companies able to boast half-year earnings of \$20-million or more (table).

One effect was a sharp shrinkage in the membership of this gilt-edged group. At this time a year ago, 74





## Temper, temper!

*"Fresh out of stamps again—and these bulletins have to go out tonight! Why won't they keep their big paws out of my stamp box? Now I gotta rush down to the postoffice, stand in line, lick and stick every blasted stamp—and keep my date cooling his heels. This is really IT—tomorrow we get a postage meter, or..."*

With a postage meter you never run out of stamps. You *print* postage, as and when you need it, directly on the envelope with dated postmark—and with your own small ad, if you like.

Your metered mail can be handled faster in the postoffice, and in *your* office, too. Saves time, money, postage—and temper!

Today, any small office can afford a postage meter—thanks to the little DM (desk model shown below). One out of 3 users spends less than \$1 a day in postage. Electric models for larger mailers. Call the nearest PB office, or send coupon for free illustrated booklet.



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Letters now cost you 33 1/3 per cent more—so postage control is more important than ever.

- A meter protects postage from loss, damage, misuse; does its own accounting.
- Postage can be "dialed" day or night, for any class of mail—even parcel post. And the meter moistens envelopes for sealing, too!
- A postage meter requires no minimum mail volume. And anyone can easily use one.

**FREE:** Handy desk or wall chart of latest postal rates with parcel post map and zone finder.

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Send free booklet ☐ Postal Rate Chart ☐ to:

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**Copper-Coated Strip**, shown before heat-treat at Victor Adding Machine, prevents distortion of precision parts during case hardening of working surfaces.



**Plain Steel** number dials are welded to precision-made Thomas Strip.

## Victor Adding Machine, Others Cut Costs, Improve Products With Thomas Strip

Manufacturers across the country are reporting new cost-cutting, quality-boosting results from their use of Thomas Strip's cold-rolled specialty steels.

At Victor Adding Machine Company, Chicago, for example, copper-coated Thomas Strip slashed one major production cost by 50% and made big savings in another operation.

Fred E. Rolli, Victor's chief engineer, says Thomas Strip is "the greatest single improvement in our production process in the past 10 years."

Here's why:

Victor's deluxe Model 75 contains 2500 individual parts, 68 of the most critical being made from Thomas Strip, both plain and copper-coated.

- **Distortion-Free.** Load-bearing parts—with tolerances under .001 inch, plus or minus, have to be case hardened along their sheared edges. Heat-treating plain steel (15 minutes at 1450 degrees) can warp the stamping. Often the expensive straight-

ening process caused tiny surface cracks which elongated the part past the .001-inch tolerance.

To solve this problem, Victor turned to copper-coated Thomas Strip. Since the electrolytic layer of copper stops off or blocks carburizing gases, flat surfaces of the stamped part are protected. Then, plain steel edges case harden properly. The part retains flatness and proper ductility. Since there is no distortion, piece straightening of copper-coated parts is eliminated. This accounts for the 50% reduction of the total straightening operation at Victor.

- **More Savings.** A second economy begins in the punch press. Die-life is a vital factor of production costs. Like other users of copper-coated Thomas Strip, Victor finds die-life between grindings is extended as much as 33%. This is due to the lubrication effect of the copper coating.

A third benefit: uniform temper and on-spec composition of Thomas Strip mean clean, burr-free sheared

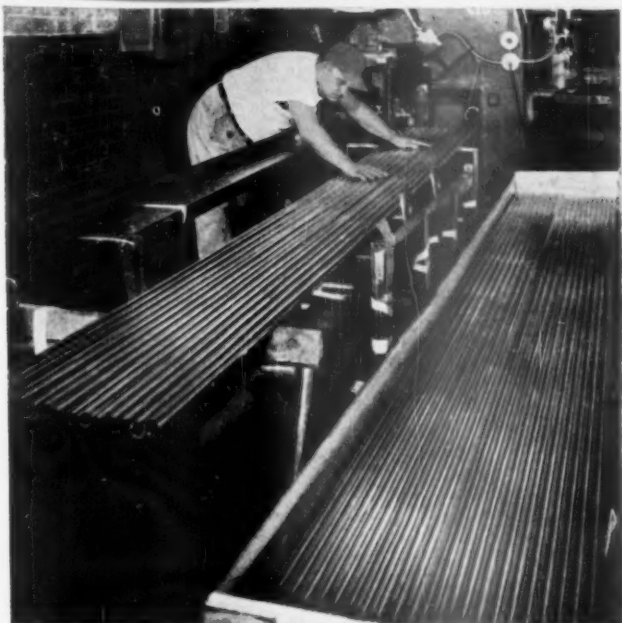
edges. Burrs, like slivers, are banes of close-tolerance operation of machine parts.

- **Satisfied.** Engineer Rolli sums it up by saying:

"Elimination of straightening is one of the biggest boons to small parts manufacturers that I've seen in the business. Even if Thomas Strip had no other benefits than eliminating a production problem, using copper-coated strip would be entirely worthwhile."

Thomas Strip's advantages are the same throughout industry. Other examples of how manufacturers cut costs, improve products—get higher profits and increase sales are shown here.

Thomas Strip's newly expanded and diversified production facilities give you the full range of products on these pages, in addition to zinc and chrome coatings . . . or hot-dip coated with lead alloy or tin. Uncoated Thomas Strip products include low carbon, alloy and high carbon spring steel grades.



**Steel's Strength, Brass' Beauty** are combined economically to form lock-joint tubing at Van Huffel Tube Corp., Warren, Ohio. Largest producer of rolled shapes in the nation, Van Huffel uses clear-lacquered, brass-coated Thomas Strip to make tubing for variety of products, including curtain rods and lamps. Thomas' brass and lacquer coatings easily withstand forming pressures and resist roll damage to the finish. Tubes usually need no further surface finishing. Van Huffel has been a satisfied Thomas Strip user for 26 years.



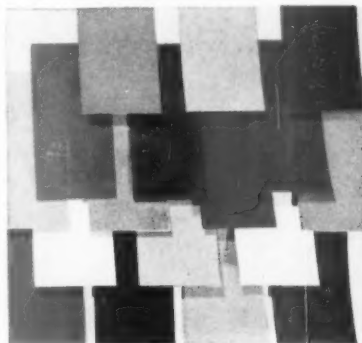
**Capacity Up 25%, Sales Up 45%** since Automatic Wire Goods Manufacturing Co., Bronx, New York, started using Thomas' nickel-plated strip 5 years ago. President Irving Spiegel says Thomas Strip boosted quality, kept production costs constant, improved appearance and design of his extensive Jewel and Automatic kitchen utensil lines. Thomas nickel-coated strip assures a mirror-like finish, an important feature of sales appeal in the highly competitive utensil field.

All Thomas Strip products can save you money and enhance your product in six important ways:

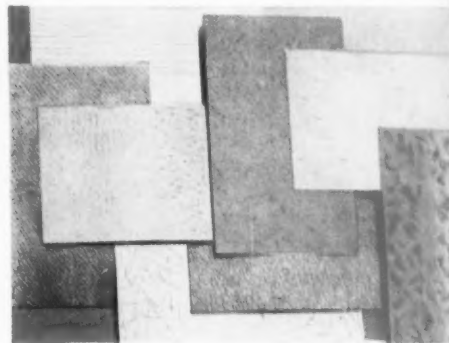
- **Fabricates Easily.** Coated steels stand fully as much fabrication as uncoated strip.
- **Longer Die Life.** Most coatings lubricate dies, reduce wear and increase tool life.
- **Maximum Pieces Per Pound.** Precision rolling to extremely close size tolerances gives more square feet of strip per ton.
- **Lower Plating Costs.** Coatings serve as final product finish or as base for further plating or painting.
- **Speeds Fabrication.** Thomas Strip coatings eliminate costly intermediate fabricating steps such as cleaning, buffing, even plating.
- **Steel's Strength and Economy** are combined with beauty and utility of more expensive metals.

All the savings and benefits Thomas Strip specialties are giving to fabricators shown here are available to you. A national sales staff—familiar with design and fabrication advantages of Thomas Strip is ready to serve you.

Write for samples, and additional cases of users' actual experiences with Thomas Strip products. Do it today!



**The Rainbow's Range** of colors, lacquered or painted on precision cold-rolled strip will solve your decorative and design problems. Thomas Strip's new lacquer line is the industry's finest. It's capable of wider widths in a fuller range of colors, especially pastel shades. Besides appearance, lacquer-coated steel is rugged and can be readily formed or mildly drawn without damage to the product's finish.



**Unlimited Design** opportunities come with pattern-rolled strip. New facilities enable Thomas to offer wider widths of any design and coating, including clear or colored lacquer. Users agree pattern-design enhances product sales appeal, permits production economies by eliminating piece buffing and costly further finishes. Pattern-designs stand up under tough forming operations and still offer attractive, flow-free surfaces.

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companies had reported earnings in this category; this year, only 51.

Among the companies that dropped from the list are many blue-chip corporations operating in blue-chip industries: Alcoa, Anaconda, and Phelps Dodge among the metal producers, Ford and Chrysler in the auto industry, Allied Chemical, Dow, Monsanto, and American Cyanamid in the chemicals, Atlantic Refining, Sun, and Cities Service among the oils, and such steel companies as Jones & Laughlin, National, and Youngstown Sheet & Tube.

• **Churning at the Top**—The upheaval extended right through the list to the top, where "depression-proof" American Telephone & Telegraph Co. vaulted to first place over the traditional No. 1 and No. 2 companies: General Motors and Standard Oil (N.J.).

U.S. Steel dropped from fourth to sixth, as du Pont moved up a notch into fourth place and Texas Co. jumped from eighth to fifth.

Of all the upward movements in the top dozen spots, however, only one—that of AT&T—was due to an actual improvement in earnings performance. AT&T gained 4% in earnings. All the rest of the Big 12 gains in rank were due to having less of a shrinkage in profits than the next fellow. Of the 51 companies in the table, only about one-third report better profits this year than last.

• **Great Leverage**—However, in this kind of trend, a modest improvement in profits was enough to move a company far up in the list. IBM, for example, gained 26% in earnings and leaped from 24th to 13th. On a 27% improvement in earnings, R. J. Reynolds Tobacco shot from 42nd to 21st; General Foods jumped from 57th to 28th on a gain of only 11% in earnings.

Even a small gain exerted great leverage. American Electric Power improved earnings by only 3.2% yet zoomed from 64th to 35th; Public Service Electric & Gas added a mere 0.5% to earnings, yet rose from 70th to 44th. Companies with shrinkage of profits as much as 48% gained ground.

• **Spectacular Slides**—Some of the slides were spectacular, too, such as those of Republic Steel from 19th to 32nd, Kennecott Copper from 20th to 34th, and Inland Steel from 37th to 50th. Yet some of these companies showed less percentage declines in 1958 first-half earnings than some of the companies that moved up a notch or two in the standings.

Generally, the poorest showings in 1958 first-half earnings were made by representatives of the nonferrous metals, auto, oil, steel, chemical, and railroad industries. The best showings were concentrated in the utilities and the food and tobacco companies. **END**

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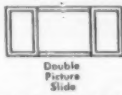
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## Wall St. Talks . . .

. . . about discouraging  
bond market . . . limited switch-  
ing of stocks . . . effect of  
stock tips.

**Discouraging market:** Southwestern Bell Tel deferred its September offering of \$110-million worth of bonds, and Moore-McCormack Lines pushed back a big offering of government-insured ship mortgage bonds—both because of the bond market's "uncertain" condition.

**Big Board memberships** have lately been a better buy than stocks. A seat just sold for \$95,000—up 46% from last October. In that time, Big Board commons have risen less than 22%.

**Inflation fears** like those expressed lately normally produce a switch from the sure-dividend, recession-resistant shares to the so-called cyclical stocks, riskier but with more growth potential. Such switching operations drive down the prices of the sure-dividend group, through increased selling, and boost the prices of the cyclical stocks, through greater buying. A certain amount of switching has been taking place, but not enough to have the usual depressing effect on the recession-resistant shares. The reason, Streeters say, is that many of these shares are held by investors who only recently were scared out of their bondholding habits and who aren't quite ready to go a step further into taking on the greater risks of the cyclical equities.

**Recommendations** of brokerage firms and advisory services are getting more than usual attention. One day last week, for example, shares of Smith, Kline & French slid \$2.25 after a large wire house shifted them from the "Buy" list to the "Hold" list; advice to buy Tri-Continental Corp. stock purchase warrants sent the warrants up \$1.37 while the stock itself was dipping 75¢; "Buy" recommendations of two services pushed Curtiss-Wright up \$1.62 and helped make C-W the day's second most active issue.

**Traders continue** to bid ever higher on stocks even when dividend cuts appear possible. This summer, shares of Ford Motor, Burlington Mills, American Smelting, and Reed Roller Bit were pushed to new 1958 highs at virtually the same time their dividends were being cut. The trend isn't over yet—last week, South Porto Rico Sugar hit a new high while its dividend was being cut in half.

WAGNER TRANSFORMERS... THE CHOICE OF LEADERS IN INDUSTRY



Rotary kilns at Missouri Portland Cement Company.

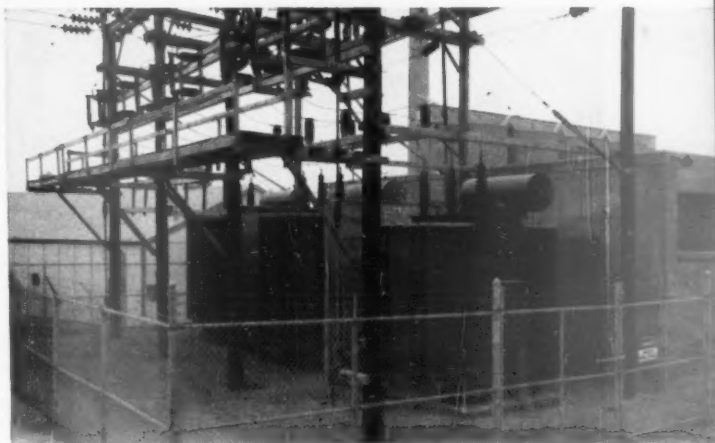
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In 1949, Missouri Portland Cement Company completed a modern power distribution system to meet its demand for electricity. Its main substation provided 12,000 kva of transformer capacity—supplied by two Wagner Power Transformers—which could be raised to 16,000 kva by the use of cooling fans. The system also included five unit substations—powered by Wagner Unit Substation Transformers.

Since that time a need for increased production brought about the installation of a third rotary kiln, and even 16,000 kva was inadequate.

This pressing need for power was met by the addition of a third 6000/8000 kva Wagner Power Transformer, and by an additional Wagner Unit Substation Transformer for the load-centers.

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These three Wagner Power Transformers in the main substation at Prospect Hill, are identical—although the third unit was built eight years after the first two. They meet the tremendous demand for a dependable flow of power for Missouri Portland Cement Company.

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# Kuwait Edges Into Nasser's Orbit



TRAFFIC JAM on Kuwait thoroughfare develops when Arab herdsmen vie with Detroit cars for right of way, reflecting contrasts in country resulting from postwar oil boom.

The Persian Gulf sheikdom, floating on a gigantic pool of oil, lives off in a corner, fairly aloof from the other Arab nations.

The tiny British protectorate has applied its royalties to new schools and other modern public works. Its people live in relative prosperity and seem to have few complaints.

But the call of Arab nationalism from Cairo is luring Kuwait toward closer ties with Nasser—and encouraging it to give money to help finance Arab economic development.

(Story continues on page 103)



HOSPITALS, largely staffed by Egyptian doctors, sympathetic to Nasser, are raising health standards of Kuwait's 250,000 people.

SHEIK ABDULLAH, Kuwait's ruler, leaves his ostentatious royal palace in Cadillac, flanked by well-trained guards.



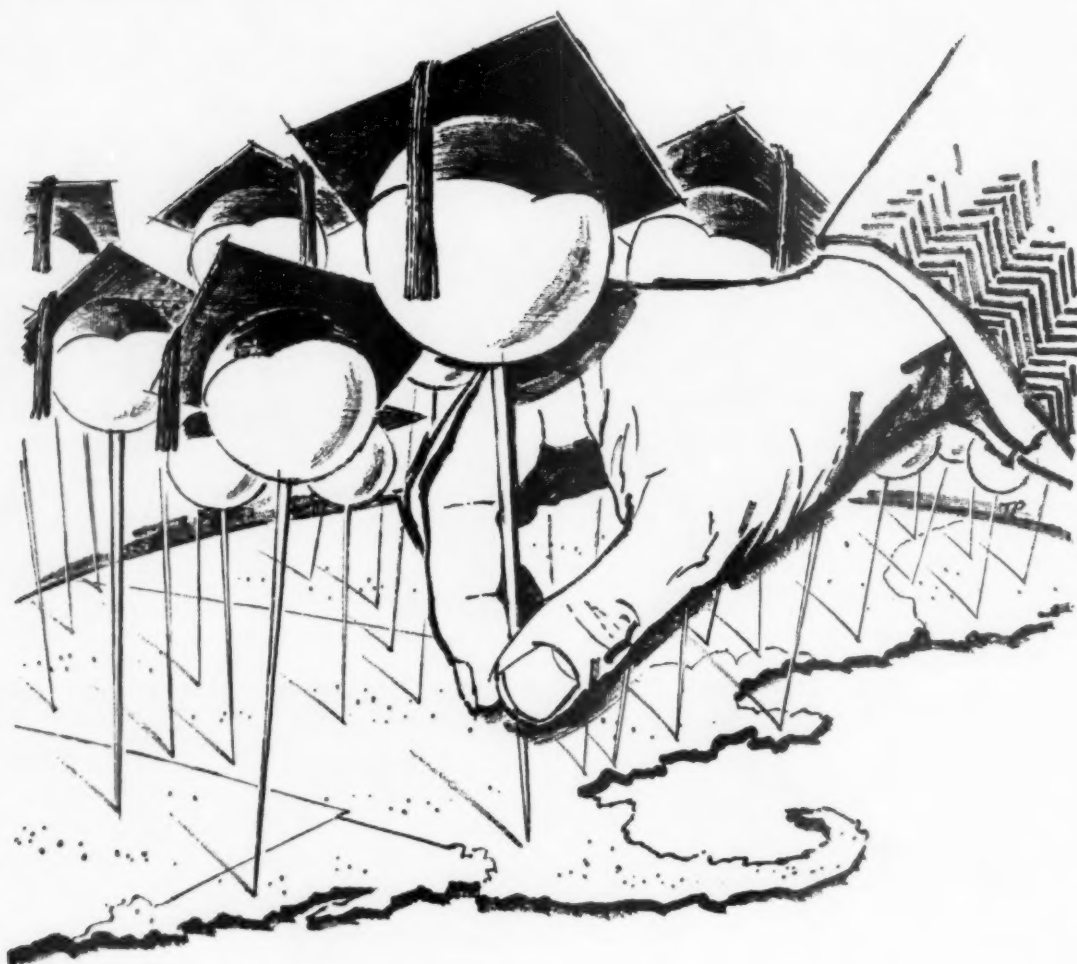




NEW SCHOOLS and other public works are signs of what happens when a sheikdom gets \$350-million a year from oil. Here, high school students play hockey. Despite prosperous atmosphere, educated Kuwaitis join "social clubs" that promote alliance with Nasser.



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## Cairo's Campaign for Arab Unity Unsettles Oil-Rich Kuwait



**BENEVOLENT RULE** is Sheik Abdullah's greatest virtue, but he keeps tight rein on potential political opposition.

**SUCCESSOR** to present Sheik may be his uncle, Abdullah al-Mubarak, who smiles at new member of royal household.



(Kuwait starts on page 100)

Kuwait, a tiny chunk of desert sitting on a mammoth reserve of oil, is Nasser's most attractive target in the Middle East—and one of Britain's chief worries.

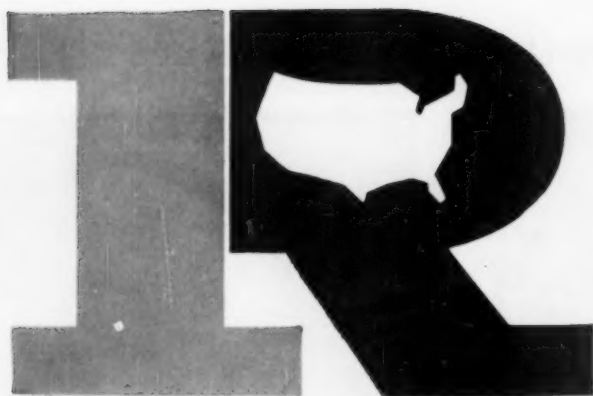
But even though the United Arab Republic may have a timetable for future Iraq-type coups, Kuwait is not at the top of the list. For this oil sheikdom may well come under his indirect control without a shot being fired. The wave of Arab nationalism, inspired by Nasser, is likely to force Kuwait into a loose association with Cairo, ending the British protectorate.

• **Unmistakable Signs**—The signs of a tie-up with Nasser appear unmistakable. Shortly after the Iraqi revolution, Sheik Abdullah as-Salem, Kuwait's ruler, held behind-the-scenes talks with Nasser in Damascus, Syria. Two weeks ago, Abdullah al-Mubarak, Kuwait's security chief and uncle of the Sheik, paid a visit to Cairo.

Right now, following U.N. Secy. Gen. Hammarskjöld's arrival in the Middle East, the 10-nation Arab League is beginning a series of meetings—with



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Kuwait and its oil riches sure to be high on the agenda. Middle East experts in Washington believe that Kuwait—which has stayed out of the league but sends observers to its meetings—may soon join.

That in itself would be far less important than the possibility of Kuwait's offering sizable contributions to the proposed Arab Bank for economic development in the Middle East. Nasser—and Washington, too—would like to see that happen.

• **Prepared for Worst**—Even if Nasserism spreads quietly, avoiding new flare-ups, Britain is preparing for the worst in Kuwait. There, it has probably its largest single stake in the Middle East. Kuwait provides 50% of Britain's crude oil imports. Through oil sales and the Sheik's own investments in London, it accounts for about 11% of the liquid funds available for investment in the entire sterling bloc.

Thus, while the U.N. General Assembly two weeks ago readied Hamarskjold's peace mission, Britain already was moving up troops to Aden and other spots close by the Persian Gulf—just in case Kuwait should give in to Nasser.

## I. Odd Ball

In almost every respect, Kuwait is the odd ball of the Arab world.

Unlike Iraq and Jordan, it was not carved out of the fallen Ottoman Empire. It has lived off by itself as a nominally independent state for over 200 years. And, unlike other Arab countries, it's virtually free of Soviet influence or Communist agents.

Kuwait is a small, compact place—around 8,000 sq. mi. (somewhat larger than Connecticut) with 250,000 people. It has more than enough room for its people, and more than enough money from oil revenues to keep up a look of real prosperity.

• **Benevolent Autocracy**—The Sabah family, which has ruled for generations, runs the tiny sheikdom pretty much as it wishes. So far, its wishes have led to a policy of benevolence, with oil money filtering down to the people and a minimum of corruption at the top.

Still, as a British protectorate, London has a big say in Kuwait's foreign affairs. There's a British "political resident of the Persian Gulf" and his "political agent" living on the spot, as advisers to the Sheik. They keep tabs on Kuwait's foreign affairs, and look over all deals for oil concessions and sales.

## II. Oil Prosperity

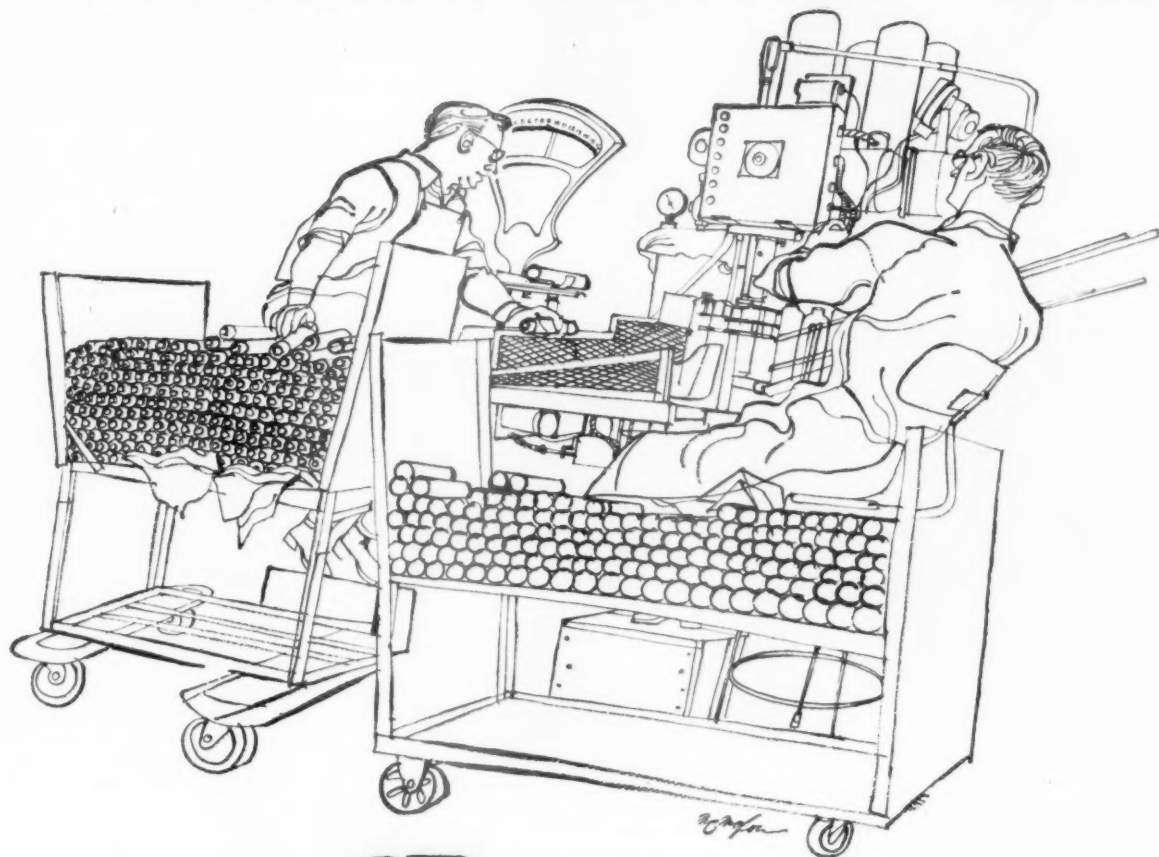
Oil is the key to Kuwait's life—and relative contentment. It plays a bigger role there than in any other Middle



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East country. Oil first gushed in 1946. Since then, the Kuwait Oil Co., owned half by British Petroleum Co., Ltd., and half by Gulf Oil Corp., has pushed output to amazing levels. With 1.3-billion bbl. a day, Kuwait is the largest Middle East producer. It's the fourth largest producer in the world, after the U.S., Venezuela, and the Soviet Union. It has nearly 25% of the world's proved reserves.

• **Ideal Setup**—The oil is easy and cheap to find—just poke a hole in the desert and it flows out. Each Kuwaiti well—there are over 450—can pour out an average 5,000 bbl. a day. In the U.S., it costs roughly \$40,000 to boost crude output by one barrel a day; in the Middle East, \$3,000; but in Kuwait, only \$2,000. And to make things even nicer, most of the oil is on rising ground a few miles from the sea. It flows by gravity through giant pipelines to a deep-water terminal.

The oil flow has brought more money to the Sheik than even to neighboring King Saud—around \$350-million a year. A third of this goes into the Sheik's pocket, and so far he has accumulated a fortune of around \$750-million held or invested in sterling.

• **Lavish Public Works**—Another third of the \$350-million goes for expenditures inside Kuwait. These include some of the most lavish public schools in the Middle East, new apartments and houses, roads, hospitals, and other facilities that have given parts of the old, walled city a Western facade. He also has paid for installation of a large, U.S.-built distillation plant for converting salt water into fresh drinking water. Though of great importance in desert lands, no other Arab country can boast such a fresh water system.

The remaining third of the oil money is put in the hands of the Kuwait Investment Board, formed in 1953. The board uses the British Bank of the Middle East as agent for most of its business. It has made large investments in British government bonds and in U.S. stocks and bonds. (By informal agreement with London, Kuwait can invest fairly freely outside the sterling area.)

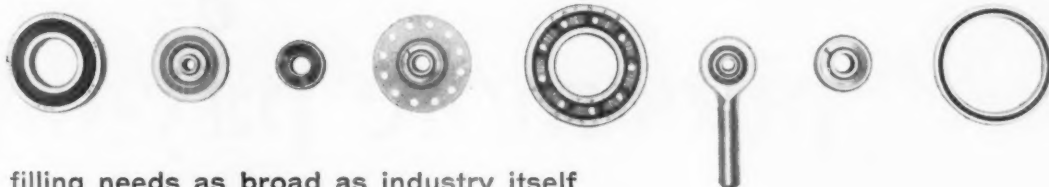
• **Straight Game**—While amassing oil money, the Sheik has kept his distance from Nasser. Nasser, in turn, has treated the Sheik with some respect. He hasn't blasted Kuwait with radio broadcasts. He hasn't accused the Sheik of plots, as he has King Saud. He hasn't tagged the Sheik with the label "lackey of imperialism," applied to Jordan's King Hussein.

The reason for Nasser's restraint is primarily the fact that the royal family in Kuwait has played a straight game with Cairo. The Sheik has allowed Nasser to send Egyptian teachers to work in Kuwaiti schools. He has paid generous lip service to Arab nationalism

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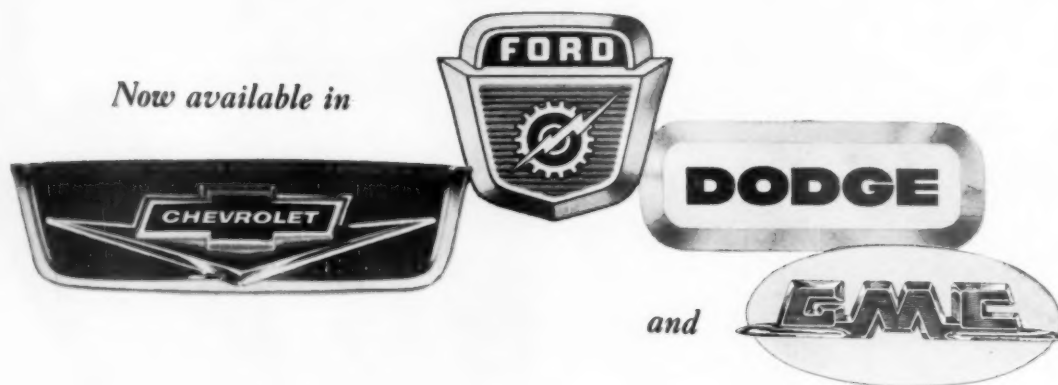


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For example, it can boost engine life at least 33 $\frac{1}{3}$ % by cushioning the engine and drive line from shock damage—saves brake linings because the hydraulic retarder lets you slow down without touching the service brakes.

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to the exact torque required—delivers maximum power from a standing start.

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With converter-driven PTO, the operator can inch the load smoothly and accurately with one control—the accelerator. Thus side-mounted PTO provides an extra dividend that makes the job easier, the profits better.

Four leading manufacturers—Chevrolet, Ford, Dodge and GMC—have incorporated the "Automatic Brain" into their newest medium and heavy-duty trucks, school buses and other commercial vehicles. It is also available in an integrated engine-transmission power plant with Chrysler and Ford industrial engines.

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FULLY AUTOMATIC TRUCK  *Transmissions*

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(though not to Nasser directly) by giving money away and boycotting Israel. He also has given money to the Algerian rebels, who have Nasser's backing in their fight against France.

• **Little Discontent**—Beyond that, Nasser has realized that in Kuwait there is little discontent to exploit. The 80,000 native Kuwaitis get preferential tax and employment treatment. The 170,000 others—Iraqis, Jordanians, Egyptians, Syrians, and Palestinians who have flocked to Kuwait—are doing even better than the natives in many cases. They hold jobs as mechanics, skilled workers, and teachers. Some occupy key posts in the government.

### III. Enlightened Opposition

At the moment, the danger to Kuwait is less from outside Nasser interference than from stirrings inside the sheikdom.

The 500 or so Egyptian teachers have helped line up the Kuwaiti public behind Nasser, but mostly by attacking the "Arab agents of imperialism." On balance, they do not seem to have directed their fire against the ruling dynasty in Kuwait or the status quo in the Persian Gulf.

• **New Thinking**—The real trouble is the growth of an enlightened opposition. This has developed from the upsurge of an educated class in Kuwait. The Sheik has used oil money for new schools and for scholarships to Arab universities, such as the University of Cairo. The graduates have been imbued not only with ideas of Arab nationalism and unity, but also with the ideal of quasi-democratic government different from the Sheik's autocratic paternalism.

"Social clubs" are springing up in Kuwait—political activity is banned—formed by the foreign-educated intelligentsia who frequently come from well-off families in Kuwait. Observers in the Middle East consider it possible that this group may spring a surprise on Nasser himself, by trying to win over influential members of the ruling dynasty and attempting a palace revolution.

### IV. Outsiders' Interests

But by comparison with other Arab countries, Kuwait looks to Washington observers like a rock of political and economic stability. It regards Sir Bernard Burrows, the British "political resident," and the Sheik as "very astute politicians."

As Washington sees the situation, Nasser has been unsuccessful in his few attempts to subvert Kuwait. To get outright control now, he would have to overrun it. That would be difficult militarily. Worse, it would plunge him into a war just at a time when he seems to want to consolidate his political

gains and to get an Arab Bank started.

• **London's Fears**—London takes a much dimmer view. Unless the West can get a general settlement with the Arab states, British observers say, Kuwait's present "independent" position is untenable. They point out that Egyptian teachers already have loosened the Sheik's grip. Of course, Britain will try to maintain its hold over the small Gulf states—Kuwait, Bahrain, and others—if the rulers ask for protection. It also might step in with troops if either Iraq or Syria openly intervened in Kuwait, or if there were a coup against the Sheik. But London seems resigned to sitting on the sidelines in the event—which is most likely—that Kuwait voluntarily makes some political agreement with Nasser.

• **Oil Operations**—All of this, of course, assumes that oil keeps coming from Kuwait. London doubts that there would ever be a full-scale oil stoppage—unless the entire Middle East were to be gobbled up by Moscow.

Yet there's general agreement in both London and Washington that Kuwait, with or without Nasser's indirect control, will push for liberalization of its 50-50 oil arrangement with the Kuwait Oil Co. That would hurt British Petroleum, which, though making its largest profits on refining and distribution, gets half of all the crude it sells from Kuwait. And besides asking for a larger profit share, Kuwait might demand some profit payments in gold or dollars.

Gulf says it knows of no changes in the oil agreement with Kuwait and claims there has been no prodding for a higher split of profits. "We think those Middle East countries learned a lot from Mossadegh's experience in Iran," says a Gulf official. "When he nationalized the oil fields, he found he had the oil all right—but no way to get it to market. Nasser learned as much when he closed Suez."

Gulf gets 551,000 bbl. a day or almost half of all its daily crude output worldwide from Kuwait. Though claiming it isn't hedging against serious trouble in Kuwait, the company points out it could rely on boosted production from its U.S., Canadian, and Venezuelan properties. "Sure, we'd be hurt if we lost Kuwait production," says the company, "but we wouldn't be dead."

• **Bank Role**—Washington is busy looking at Kuwait from a different vantage point—in terms of what the Sheik could contribute to an Arab Bank out of his 50% share of profits. Here, both Washington and Cairo are pushing for the same thing. They estimate that the Sheik might be talked into taking out 10% to 15% of his future royalties for the bank. Hoping to get that kind of money under his wing, Nasser is likely to treat the Sheik—and Kuwait—with gingerly care. **END**



## The homer that never came down

We've played some pretty important ballgames at the old Beaver Hutch, but this was the biggest. Night affair with the Blues and the Pennant on the line. Well, my Beavers was two runs behind in the ninth with two outs; we had two men on base, and my best fella—Boll Weevil Barnes—was up at the plate.

He misses two slow curves and then the Blues pitcher slips him the fast ball. The Weevil wades into it . . .

And the lights conk out. Power cable failure.

Now, I been afraid of that since five years back, when President

Piedmont overruled the engineers who'd laid out the lighting system.

"Look," I'd told him, "I'm only the manager, but if the perfessors say you should get Okonite-type cable—"

"Okonite-Shmokonite," snaps Piedmont. "Our supplier tells me Zilch cable is plenty good enough. You worry about your hitters and I'll worry about the cable."

Well, he started worryin' when the Weevil banged that pitch. It took off into the dark and far as I know it's still up there. Five seconds later, three Blues outfielders were chargin' the Ump, waving

balls they claimed they'd just caught. Then *our* boys arrived, luggin' a damaged relief pitcher and hollarin' that his noggin had just been dented by the Weevil's drive after clearing the left field fence. Both teams squared off, the fans joined in, and it finally took the riot squad to clear the joint.

We hadda replay that last inning next day and got clobbered. So Piedmont's just-as-good cable cost us a Pennant, Series money, and the price of installing new cable.

What brand? Well, the stands underneath the lights are now called Okonite Alley.



where there's electrical power... there's **OKONITE CABLE**

# In Business Abroad

• • •

## Merger of Two Big Dutch Lines

### Raises Netherlands' Shipping Prestige

The Netherlands may have one of the biggest shipping lines, when trade between the Great Lakes and Western Europe—via the St. Lawrence Seaway—gets into full swing. The Royal Packet Lines (KPM), one of Holland's big shipping companies, has bought the Oranje Lijn of Rotterdam for \$14-million. The Oranje Lijn operates regular fleet cargo service between the Great Lakes and Northern Europe.

KPM was in a fix when Indonesia exploded in a burst of anti-Dutch nationalism, and expelled the Dutch companies (BW—Jan. 11 '58, p90). The Dutch line had 100 small freighters in the Indonesian inter-islands trade. Now KPM feels that it has found the answer—in the tremendous trade possibilities of the St. Lawrence.

• • •

## Union Boycotters Miss the Boat

### As CNR Sells Its Strikebound Fleet

Despairing of a happy ending to a strike that had tied up its entire fleet for 14 months, Canadian National-West Indies Steamships Ltd.—wholly owned by Canadian National Rys.—quietly sold all eight of its strikebound vessels for \$2.4-million. The buyer was Banco Cubano del Comercio Exterior, Cuba's foreign trade bank.

Banco Exterior gave a contract to Flota Maritima Browning—a Havana shipper controlled by Detroit financier, Troy H. Browning—with orders to get the ships sailing. But the labor battle wasn't over.

Last week Hal Banks, president of the Canadian Division of the International Seafarers Union (SIU), rushed to Havana to enlist the support of Cuban labor leaders in boycotting the vessels. It was a belated effort. Cuban seamen were reported en route to Halifax to man the ships.

• • •

## Bonn Maps Out Long-Term Credit Plans

### For Countries Pressed for Currency

West Germany's exuberant Economics Minister, Ludwig Erhard, will spend much of autumn on the airlines. He plans a long trip in the Far East and Southeast Asia to discuss West German economic assistance to underdeveloped countries; he's planning talks in Cairo on West German investments and credits to the Arab countries; next month he'll be at the New Delhi meeting of the World Bank and International Monetary Fund.

Erhard's tour comes at a time when the Bonn government is taking its hardest look to date on ways of extending long-term West German credits to countries pinched for hard currencies. One major step is a pro-

posed Reconstruction Loan Co. (Kreditanstalt fuer Wiederaufbau) revolving fund of \$100-million.

An RLC revolving fund would allow West German exporters to extend government-guaranteed credits—from the present maximum term of four years—to about eight years. About \$65-million of the fund would come from Marshall Plan counterpart funds. The remainder would be raised on the capital market.

Other major measures suggested for increasing West German capital exports to underdeveloped countries are (1) increasing West Germany's IMF quota from \$330-million to \$500-million; (2) participating in a financing institution to aid peripheral countries of the projected Free Trade Area, such as Greece, Turkey, Eire, and Iceland; and, (3) establishment of a Federal Republic Export Bank (somewhat like the U.S. Export-Import Bank), which would utilize part of the large foreign exchange reserves held by the Bundesbank, the Federal Republic's central bank.

Meanwhile, West Germany's Economics Ministry predicts that the country's gross national product, which increased 5% in 1957, will increase by 3½% in 1958, and by an additional 3% to 4% in 1959. The expectation for 1959 is based on a slight revival of business.

• • •

## Container Corp. Draws Bead on Market

### For Paper Processing in West Germany

Walter P. Paepcke, chairman of Container Corp. of America, has announced that the Chicago company is out to get a third of the entire paper processing market in West Germany. Last week, Container bought 79% of the share capital of Bremer Papier-und Wallpappenfabrik AG. The price was \$1.7-million.

Container first went into the West German paper processing market in 1955, when it founded Europa Carton AG, in Hamburg. In only three years, the company has enlarged its operations to include six plants in the Federal Republic.

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## Five Nations and World Bank Move

### To Rescue India's Second Five-Year Plan

In Washington last week, the World Bank, the U.S., Britain, West Germany, Canada, and Japan agreed to help salvage India's second Five-Year Plan. The six partners put together a \$375-million package, including credits, loans, and grant aid, so that New Delhi can meet most of the debts that come due from now to next spring.

The six also agreed to work out ways of helping the Nehru government to meet an additional \$600-million in debts that will fall due between 1959 and 1961—when the second Five-Year Plan is slated for completion.

Here is the way the approximately \$375-million in immediate aid is being shared:

Washington and the World Bank each will put in \$100-million, while London is releasing \$108-million in sterling balances. There will also be from Bonn (\$40-million), Ottawa (\$17-million), and Tokyo (\$10-million).





PHOTO BY BELLE

**1** "Bonding glass to metal has been known to man since the fifteenth century," relates Ferro president, Harry T. Marks. "But in the past thirty-five years, this little-known art has been transformed into a thriving industry. Such progress has taken knowledge and research, time and skill. It has taken suppliers like Wyandotte on whom we can rely for the finest raw-material chemicals and qualified assistance."

**2** Molten glass pours from flame-heated spout onto water-quenched rolls to produce flakes, called frit — basic material in porcelain enamel. Ferro uses Wyandotte Soda Ash in this process; utilizes Wyandotte PURECAL\* as an extender of enamel colors, Caustic as plating-bath neutralizer.

**3** Bright-hued building panels of porcelain enamel, made from Ferro frit and color pigments, help architects plan modern buildings. Wyandotte chemicals play an important part in porcelain enameling, as they do in such industries as glass, paper, rubber, petroleum, paint.

**4** Wyandotte's giant kilns burn thousands of tons of limestone each year to begin the process of producing soda ash, a key ingredient in glass. Modern facilities like this assure industry a dependable supply of chemicals, from caustic and chlorine to bicarb and calcium carbonate.



Ferro teams engineering with chemistry, as an

## ancient art becomes a modern industry

Less than fifty years ago, porcelain enameling was the closely guarded craft of a handful of artisans. Today, architects are creating colorful buildings with it; sinks, stoves, and refrigerators wear durable porcelain-enamel coats; jet aircraft power systems need high-temperature-resistant ceramic coatings.

Porcelain enameling is the key to the phenomenal success of Cleveland's highly diversified Ferro Corporation. Through modern research and mass-production efficiency, Ferro has expanded from production of porcelain enamel and glaze frits for enameling, into fields like color pigments, fiber glass, enameling furnaces, and powdered metals, to name a few. Ferro sales have mushroomed from \$3.5 million in 1946 to \$56.8 million in 1957!

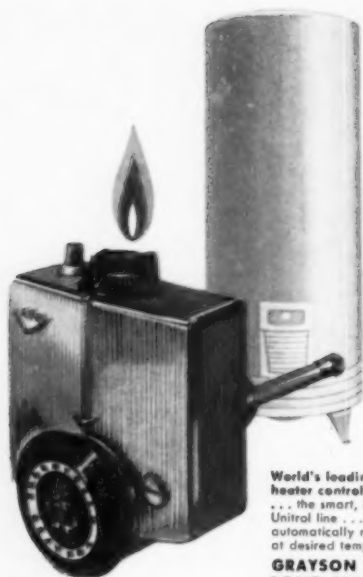
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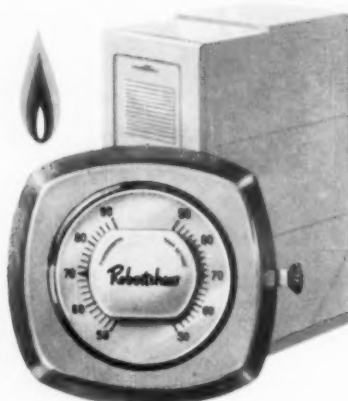
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eliminates burned foods, boil-overs  
and pot watching.

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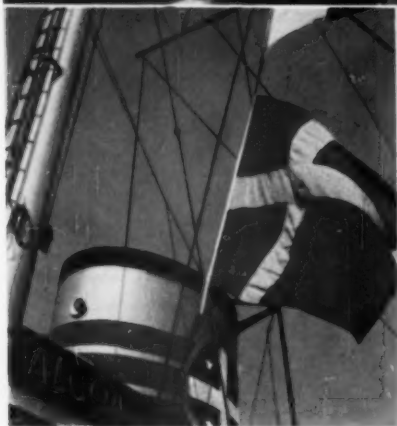
**MRS. AMERICA, 1958...**

Mrs. Helen Giesse is shown  
with her three children in their  
Cleveland, Ohio, home after  
returning from Florida and the  
Mrs. America competition.





Photographs by Fritz Henle



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Venezuela and Puerto Rico each imports more than a half-billion dollars worth of U.S. goods annually. Altogether, the thriving countries of the Alcoa-served Caribbean represent Uncle Sam's second largest export market. This is an area of golden opportunity for the manufacturer who is looking for new and convenient sales outlets.

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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

SEPT. 6, 1958



The U. S. is facing another East-West showdown—this time in the Formosa Strait. The Communists, after having suffered at least a temporary setback in the Middle East, have shifted their pressure to the Pacific.

The offshore island crisis could become hotter than the trouble in Lebanon and Jordan was. Red China confronts us directly in the Formosa Strait. In the Middle East, the Russians operate from the sidelines.

There is no easy way out of this new clash over the Nationalist-held offshore islands. Like the one of early 1955, it is a power struggle pure and simple. This time, though, the scales are tipped somewhat less in our favor. Among the reasons are these:

- Red China's grab for the coastal islands was planned in advance with Soviet Premier Khrushchev. Last time, Peking took the bit in its teeth, then was warned by Moscow to go slow.
- Despite all their noise in 1955, the Chinese Communists didn't have the military potential to take Quemoy and Matsu. Today, they do—unless they should have to take on both U. S. and Nationalist Chinese forces.

There is another difference between 1955 and today. The Western position in Southeast Asia is shakier especially in Indonesia.

So a Peking victory in the offshore islands would do more than rock the Nationalist regime in Formosa. Our loss would aggravate our problems throughout Southeast Asia. On top of that, there's the British position in Hong Kong. It wouldn't be worth much if Peking gets away with a grab at our expense.

This doesn't necessarily mean that Pres. Eisenhower has no choice but to intervene or to take a licking.

Back in 1955, Eisenhower let the Chinese Reds know that the U. S. was prepared to back the Nationalists with force. But he also offered to negotiate a truce in the Formosa Strait (with the Nationalists gradually withdrawing from the coastal islands) if Peking would guarantee not to attack Formosa. In the end, the Chinese Reds called off their attacks, but ignored the U. S. offer.

Eisenhower could use the same approach again. But this time he might have to figure on some U. S. military skirmishing with the Chinese Reds before the time was right for negotiating.

Negotiations to prevent new blowups in the Middle East are moving into the decisive stage. The testing ground will be Cairo.

There, the Arab League is beginning a series of meetings. At the same time, U. N. Secy. Gen. Hammarskjold will try to get Nasser's support for his efforts to implement last month's U. N. "peace" resolution.

Observers in the Middle East hold out little hope for securing any real cooperation from Nasser. For the moment, he is lying low—quieting his propaganda blasts and curbing Cairo-directed subversion. But he isn't likely to help much in cooling off tension in Lebanon and Jordan.

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**  
**SEPT. 6, 1958**

Nasser has plenty of material to work with—the twin drives of Arab nationalism and Arab unity don't seem to have let up one bit at the local level. In Iraq, partisans of full union with Nasser's United Arab Republic (Egypt and Syria) are gathering steam.

**Most worrisome spot in the Middle East is Jordan.** The isolated regime of King Hussein seems to be on its last legs, without much chance of being saved. It could fall in the next few weeks, before the U. N. meets again. Then the U. N. would have to move quickly into the situation to forestall an Arab-Israeli war, rather than prevent a pro-Nasser regime in Jordan.

—•—

**Three key countries in Latin America are beset by economic troubles.**

- **Brazil is woefully short of dollars for imports**, despite its loans from Washington. The root trouble—as always—is coffee. Export sales and prices are still sliding. Imports for industrialization continue high. The cruzeiro now is selling at over 170 to \$1—against 70 per \$1 a year ago—and could drop to 200. Lucas Lopes, the new finance minister, is trying to sell austerity to the free-spending Brazilians. **But the cost of living is soaring**—with Rio officials talking about still another bailout loan from Washington.

- **Argentine labor is threatening Pres. Frondizi's program** for rapid industrial development. Sporadic strikes for higher wages are affecting practically every industry, from meat-packing to chemicals. Then, there's the threat of unified labor pressure on the government and on industry. In elections next month, all Argentina's 94 unions may group under one roof, as they did in Dictator Peron's day.

- **Mexico is again seeing economic discontent**—unrest that is reviving revolutionary talk of the kind heard two decades ago. The economy is one of the healthiest in Latin America. But wages are lagging behind prices. **To top it off, leftist labor bosses are playing on general social unrest.**

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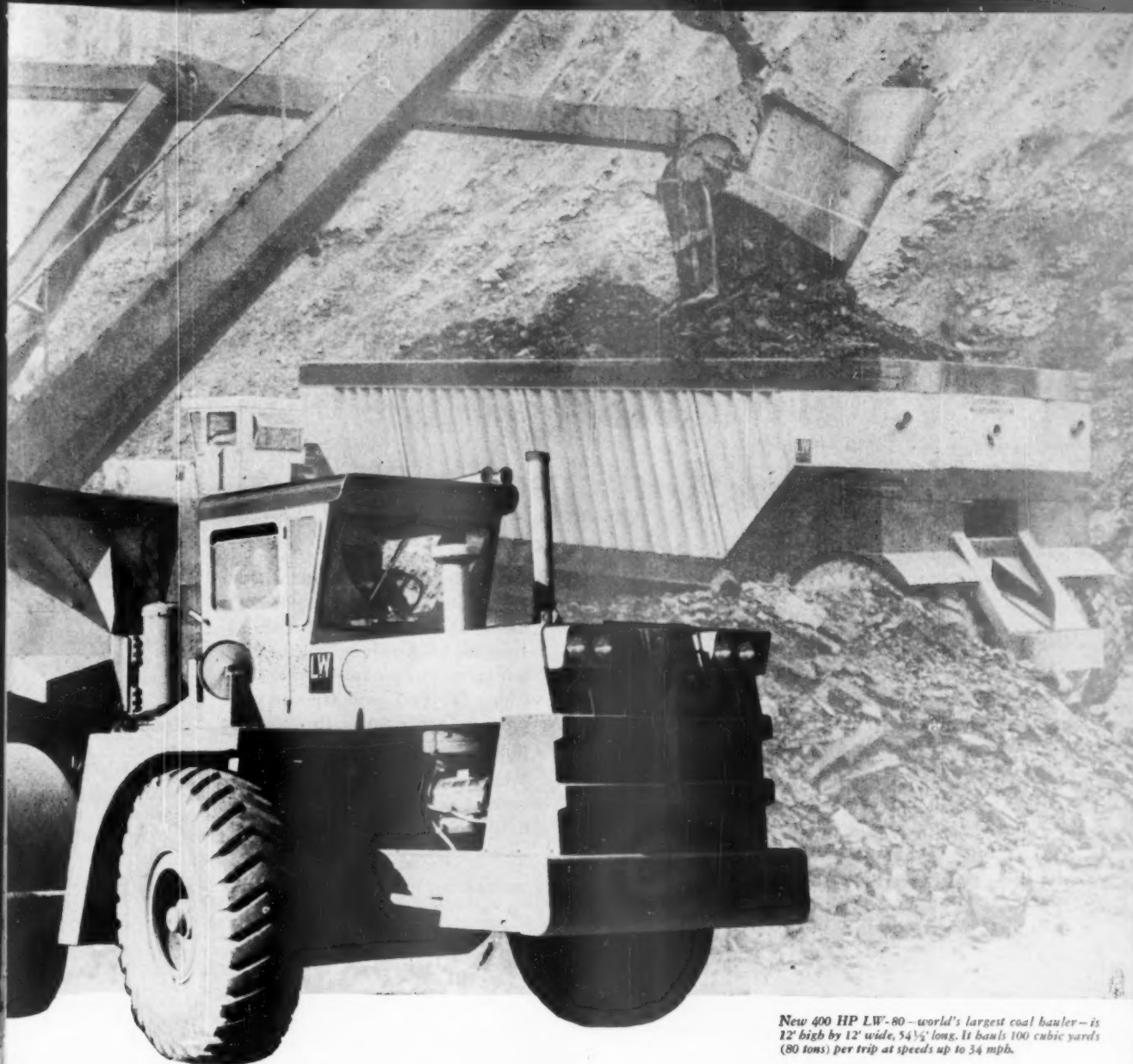
**Nothing sensational will emerge from the Commonwealth economic conference opening in Montreal Sept. 15.** But the conference will:

- Endorse Pres. Eisenhower's call for strengthening the World Bank and the International Monetary Fund (BW—Aug. 30 '58, p14).

- Consider Prime Minister Macmillan's idea of establishing a Commonwealth Development Bank that would be associated with the proposed soft-loan agency of the World Bank.

- Agree to reduce imperial preferences enough to smooth the way for agreement in Europe on the British-sponsored Free Trade Area. Britain, for example, might give up the special advantage it has in selling cars to Australia and New Zealand.

**If London has its way, the conference also will examine a basic problem:** How to get economic growth in the free world without inflation? Washington is also worried on this. The British are convinced that a deliberate effort must be made to promote development and expand world trade: The question is: How do you do it without forcing prices up? Unless the West finds the answer, say the British, we will lose the economic cold war to the Soviets.



New 400 HP LW-60—world's largest coal hauler—is 12' high by 12' wide, 54½' long. It hauls 100 cubic yards (80 tons) per trip at speeds up to 34 mph.

## From pit to plant, LeTourneau-Westinghouse moves with coal

**Earthmoving equipment manufacturer estimates steam generated from coal costs only half as much as competitive fuels**

At LeTourneau-Westinghouse Co., Peoria, Ill., steam is used to heat an area that has swelled to a million square feet of space. But obsolete heating facilities proved inadequate for this demand. When engineering studies recommended a new heating plant, fuel surveys indicated that the firm should continue to use coal for availability and economy. Estimates proved that steam produced from burning coal in this area costs about *half as much* as from competitive fuels. Today fuel costs at this modern installation are at a minimum. Automatic, efficient opera-

tion has lowered coal and ash handling costs. And manpower requirements have been reduced from 12 to 7 men.

### **Consult an engineering firm**

If you are remodeling or building new power facilities, consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—will effect great savings for you in efficiency and fuel economy over the years.

### **Facts you should know about coal**

Not only is bituminous coal the lowest-

cost fuel in most industrial areas, as in the case of LeTourneau-Westinghouse, but up-to-date coal burning equipment can give you 15% to 50% more steam per dollar. Today's automatic equipment pares labor costs and eliminates smoke problems. And vast coal reserves plus mechanized production methods mean a constantly plentiful supply of coal at stable prices.

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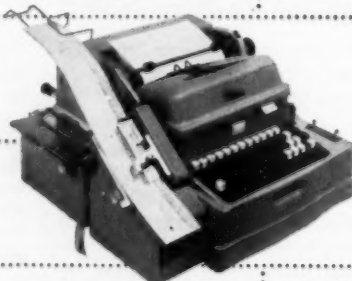
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Calculator—  
The Thinking Machine of  
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Friden  
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Adding Machine



# In Washington

• • •

## Simpler Federal Income Tax Form

### Available to Twice as Many Users

Filing 1958 federal income tax returns is going to be easier for millions of taxpayers.

Under a revised rule announced this week by the Internal Revenue Service, the **simple card return, Form 1040A**, can be used by anyone with total income of less than \$10,000, in which not more than \$200 comes from dividends, interest, and wages not subject to withholding. Previously, this card return could be used only if income was less than \$5,000.

The new form is about the size of a check, with only 15 blanks to be filled in. IRS will circulate it widely by mail, and officials expect it to be heavily favored over the regular four-page Form 1040.

Officials estimate that as many as 31-million taxpayers could qualify to use the new form, thus easing their tax filing chores. About 14-million used it last year.

As in the past, taxpayers with incomes under \$5,000 may have the government figure out their tax and bill them for it. The law doesn't allow this choice to taxpayers between \$5,000 and \$10,000 incomes, so those with more than \$5,000 income who use the new card must figure their own tax and pay it at the time of filing.

Taxpayers who use 1040A automatically claim the standard 10% deduction for personal expenses. If their allowable deductions exceed 10% of gross income, taxpayers must still use the regular 1040 form to claim them.

• • •

## SBA Drawing Up Regulations

### For New Capital Bank Program

In about four weeks, the Small Business Administration will issue detailed regulations on operation of the new capital bank program, designed to provide small business with long-term funds (BW—Aug. 16 '58, p. 38).

Under this program, SBA can advance funds to private investment companies, which in turn make loans to businesses that qualify. The new regulations won't be effective until November, however, and SBA doesn't expect any charters to be issued for the investment companies—by SBA or by the states—until early in 1959.

• • •

## No High-Altitude Jet Plane Trip

### Without an Oxygen Mask, CAB Rules

Before you take off in one of the new jet airliners, you're going to be provided with an oxygen mask and told how to use it, just in case your plane loses its air pressure five or six miles up. The Civil Aeronautics Board has ruled that **masks are a must for all passengers**

in jet and turboprop planes that fly above 25,000 ft.

Today's high-flying planes carry emergency oxygen, too, but only enough to tide their passengers over during a descent to around 14,000 ft., where people can survive without it.

This won't do for jet airliners. They will have to remain at high altitudes and continue to one of the limited number of airfields that will accommodate them. At lower altitudes, their engines burn so much extra fuel that they might not be able to reach a safe landing. Depressurization isn't expected to happen often, of course, but a plane's window could blow out, its skin crack, or its compressors fail.

CAB has ordered that, in jets flying above 30,000 ft., the masks be installed so they pop out in front of the passengers automatically, or at the touch of a button in the pilot's cockpit, the moment the plane loses pressure. Also, according to CAB rules, one pilot will have to wear his oxygen mask at all times—just in case.

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## Voluntary Oil Import Restrictions

### To Be Refined by Prorating for All

The government is about ready to try a new plan to limit oil imports, but the scheme is tentative until comments of the oil industry have been considered.

For more than a year, with some success, the Administration has been asking oil importers to limit themselves voluntarily. The goal was to hold imports into the U.S. east of the Rocky Mountains to 713,000 bbl. of crude oil per day.

This program had a fatal flaw: Only a limited number of companies could take part, since there were no provisions for prorating. More and more oil refiners have been asking to participate in the program, until the Administration was faced with requests that would double the desired level of imports.

The new plan would allow any U.S. refiner to receive a share of imported oil based on the ratio of his average refinery run to the throughput of all U.S. refineries. It is expected at first to allow around 825,000 bbl. of crude or unfinished oil to be imported daily into oil districts covering all the U.S. except the West Coast.

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## Businessmen Not Very Interested

### In Trade Behind the Iron Curtain

The Commerce Dept. is polling its industry advisers, the World Trade Advisory Committee, for ideas on which items should be subject to easier trade restrictions under new regulations of the NATO coordinating committee.

So far, the industry group, which went on record last spring in favor of relaxing the U.S. embargo on trade with Communist China, appears to reflect the average businessman's lack of interest—especially since the recession scare has passed—in trying to expand trade with marginal overseas markets such as the Iron Curtain countries.



# The Odd Case of the Customer

● The average American is a demon for small economies, bewails high prices—and spends freely for the good things he has come to crave for his family.

● He "does it himself" because he doesn't trust hired hands; in sports, too, he's a participant, not a spectator.

● The change in standards of the U.S. consumer has been long in developing. Today, no one with goods or services to sell can afford to ignore it.

Hula Hoops are sweeping the land.

A man in St. Louis just paid \$200 for five trees—big ones—because he couldn't wait for little trees to grow. The same man has a 1954 car, and he has no intention of turning it in.

A U.S. Steel salesman invented a new fishing lure; he's marketing it himself.

On Sundays, whole families show up at the Boston Public Library; but they eat in picnic style, and there's a run on charcoal in that city.

It's enough to make a businessman wonder.

• **Inconsistent Buyer**—Everybody knows the consumer is behaving oddly. He'll haggle at the price of a TV set, then plunk down \$8,000 for a boat. He looks sourly at even big markdowns in price, yet he'll pay out \$60 for an electric vibrator. He kicks the tires of his beat-up car and says, "I think she'll do for another year." Men who can afford professional painters are wielding paint brushes as if their livelihood depended on it. They lament they're broke—but the savings indicators keep going up.

How can you figure a market like that? How can you reach it?

BUSINESS WEEK sent out its scouts in some 20 cities to see if they could get an answer, to learn what gets a rise out of the consumer today. This is what they found out.

## I. They Buy Cagily

"What do you mean, 'Why am I not spending more?'" demands a \$175-a-week newspaper man. "I'm recession's best antidote. With my eight-room house and four kids, I haven't saved a penny in five years."

Another harassed citizen amplifies: "I've acquired an air-conditioned Pontiac plus my Chevy. My gas bills are shocking. We have four fans and an air conditioner, two TV sets, and a freezer going all day. When the light bill comes, I blow my lid. My kids

have an 8-ft. swimming pool, and I hit the ceiling every month when I get my water bills. The grocery bills for my family of seven drive me almost mad every week."

• **Prices too High**—Everywhere comes a nationwide wail: Things cost so much. They don't care how reasonable the explanations may be. They just want prices to come down.

The reaction knows no income boundaries. In Philadelphia, a two-Cadillac type isn't going to buy a new car till the old one begins to run up big repair bills. Lower-income prospects aren't buying till they have about run the wheels off the old car. A Salt Lake City car dealer says, "We've got a revolt on our hands."

• **Sharp Shopping**—Everywhere people are shopping sharply. Nashville housewives have taken to going to three or four supermarkets before they put their cash on the counter.

A St. Louis woman's page editor reports: "Women are buying clothes more carefully. They are making old things do." Over and over comes talk of people who shopped but turned away because they couldn't find what they wanted at bargain prices. A Milwaukee

retailer finds a disconcerting hard-headedness among customers. In St. Louis, buyers of more expensive homes are holding back. And low-income buyers are forgoing frills—garbage disposers and such—to get the primary essential of more space.

• **Buying to Save**—Tulsans are buying as a means of saving. They are putting money into freezers to economize on meat—and, besides, freezer prices have come down. They largely ignore luxury items. When they do buy, often it's because they gave up something else.

"Our vacation money went into a tent this year," one says. One family joined a country club rather than go to a resort. "We went to Mexico on the money we saved getting a little car instead of a big one," one family claims. Another thinks, "The savings on gas bills alone on our little new car will pay for our liquor."

## II. Still They Buy

Few fads turned up. The standout exception is the Hula Hoop, product of Wham-O Mfg. Co., San Gabriel, Calif. These plastic gadgets—at \$1.98—which you can use like a jump rope or wriggle around your midriff to wear off pounds, have been selling like crazy on the West Coast; now they are sweeping the East.

In the New York area, toymakers have taken the idea over, are turning the hoops out at the rate of 600,000 a week. Right now, polyethylene suppliers report this fad accounts for more sales than all their housewares.

Another hot item in several cities is the vibrator—either chair models or the little ones you apply at strategic spots—for relaxation or to take off weight.

• **Sales Leaders**—The big sales winners fall into two groups: (1) outdoor equipment and (2) things for the home.

Boat sales are zooming. In Houston it's an \$8-million to \$10-million business. A Louisville couple bought a 28-ft. cabin cruiser rather than replace their 1953 Ford. Inlanders find it's no obstacle to be living away from water; they buy—or rent—a boat trailer and away they go. Detroit waterways are so jammed on weekends that water borne traffic cops have been stationed to keep things moving. A Salt Lake City dealer says, "It's just like selling cars in 1947." But even in this splendidly fertile field, dealers note an inclination to bargain, to beat prices down.

For the backyard, charcoal grills are holding up strong in most places—though they are yielding to the more elegant rotisserie (you can buy little



*Hula Hoops are sweeping the country*



*Spectating has gone out of fashion*

rotisseries now for \$13 and up; when the first ones came out, they cost around \$80). The barbecue business is roaring in Los Angeles.

• **Garden and House**—Swimming pools rate high. Neighborhoods that can't afford individual pools are ganging up. In Detroit, the backyard pools have become such a menace to wandering tots that towns are passing ordinances requiring fences. Camping equipment, water skis, garden tools, aluminum chairs—put them on the shelves, watch them go.

Landscaping is another best seller. Some people are making a hobby of exotic trees.

A nostalgic note creeps in. Crystal chandeliers—even gas lights—are selling. A yearning for the past appears in the rush on antiques. Living for Young Homemakers magazine has devoted its September issue to "a Decoration of Independence," stressing that even modern design is rooted in early American.

### III. Busy, Busy

Name just about any hobby, craft, or sport, and you'll find people doing it and talking about it, Chicago reports. Spectating is on the wane—though Pittsburgh is watching the Pirates in a fever of anxious pride, and the Giants are pulling more fans in to their new San Francisco home than they are accustomed to.

Most of the buying clearly reflects the itch to be up and doing. Golf courses are jammed; bowling, always popular, is still gaining, backed by national ad campaigns urging family participation; badminton is strong. When land is scarce, families are

banding together to form golfless country clubs. Atlanta architects are swamped with requests for clubhouses, parks, pools. As for campers, the woods are full of them.

• **Do-It-Yourself**—Most places report do-it-yourself maintains its fever pitch. Partly, this is economic. Partly, it's an infuriated revolt against shoddy services.

A Philadelphian who only recently didn't know one end of a hammer from the other is building his own kitchen shelves. "I wouldn't pay for a job that would just fall down when you put a match box on them," he says. Libraries report a run on books on how to build your own boat or hi-fi set, how to repair appliances.

Again, economics doesn't set the boundaries. Says the head of a retail store, "My neighbor cuts his own lawn—and he sure doesn't care about saving \$10." People who could afford services are painting homes, building porches, finishing furniture.

• **Enterprising**—Salt Lake City reports a suppressed desire of successful businessmen to be on their own—to "get into something," as they put it. One man has a new disposal unit for inside-car trash—used Kleenex and the like. Another has developed an identification card that he sells for \$3 to people who like such a card for cashing checks.

Possibly related to this is a phenomenon reported in Louisville. People are signing up for instruction in all sorts of

sports—golf, tennis, swimming. They don't just want to be doing—they want to excel. "We aren't immortal, but we shoot in the 70s," an observer sums up.

### IV. Mood in Low Key

If you summed up these findings in a brief catechism, it would go like this: Where did you go? Out—to the lake, to the woods, to the backyard.

What did you do? Everything—from polishing up a tennis stroke to rebuilding a hi-fi set.

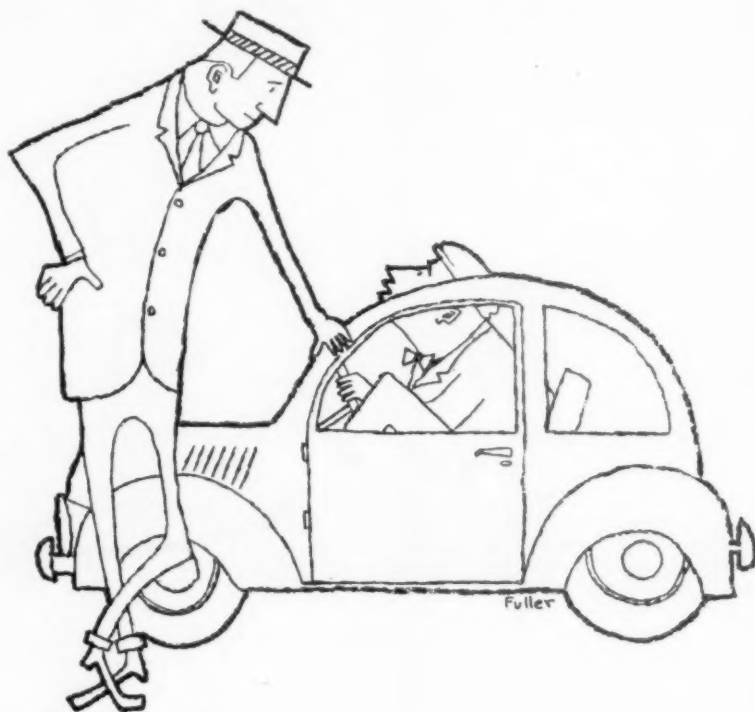
What did you talk about? Nothing special—except the high cost of living.

• **Who Cares**—Some places, especially where the sun is hot, there was downright apathy.

A radio commercial that ends, "Jim Knapp don't care," strikes a chord in Houston. A public relations man in Milwaukee finds: "People aren't looking for anything. They don't expect to find anything." Even the Milwaukee Braves aren't pulling. In Worcester, "Sputniks wheel over our heads and my neighbor keeps watching his trees grow."

• **Frustration**—Yet apathy doesn't always seem the right word. Philadelphians are mad as hornets about high prices, and they are frustrated. They worry about Russia, the Middle East, and juvenile delinquency, but what can they do? Deep down, they were scared stiff by the recession.

A Milwaukee librarian thinks it's not



*The savings on gas alone will pay for our liquor*





General Contractors: Turner Construction Company, Chicago

Architects-Engineers: Skidmore, Owings and Merrill, Chicago

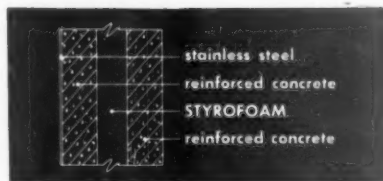
PANELS ARE HOISTED into position and secured to the steel skeleton. They form a strong curtain wall that can be erected quickly and economically, will require practically no maintenance.

## **Styrofoam® blocks heat and moisture in panels of new Inland Steel Building**



A newcomer with a shiny face has taken its place in Chicago's bustling loop. It's the 19-story Inland Steel Building and it utilizes the most modern materials in its starkly simple design. Supplementing the main office building is a 25-story service tower faced with 13' x 5' fully insulated panels. Styrofoam® was chosen as the insulating core for these panels for several reasons:

The permanent insulating efficiency of Styrofoam keeps heat loss to a minimum. This material has unyielding resistance to moisture, will not rot, mold, deteriorate or shake down. Also, Styrofoam is lightweight, clean and easy to handle. It adds very little to the weight of these curtain wall panels and can be readily cut to fit any panel size. Thus it contributes to easier, lower-cost fabrication.



Each panel consists of 1½" of Styrofoam sandwiched between two 1¾" slabs of reinforced concrete with a ¼" stainless steel facing on the exterior surface. The inside concrete surface can be finished, if desired.

For more information about Styrofoam in building panels, write to us today. THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Department.

\*Dow's registered trademark for its expanded polystyrene.

YOU CAN DEPEND ON

**DOW**



*He takes to his boat to get away from it all*

apathy so much as caution that has numbed the market. "People are suspicious of hogwash. They are pausing to evaluate. They feel they have been fooled and don't want to be fooled again."

In Pittsburgh they figure, "It can happen here, but you've got to learn to live in spite of it."

• **Faith or Fear**—Some detect a definite "gather ye roses" attitude. Others feel the consumer is busily cultivating his garden not out of despair but out of faith in better days ahead. He has made his plans not just for two years from now but for 25 years from now—and this doesn't leave much room for large-scale impulse buying.

The only subject sure to erupt into violent conversation is high prices. There's little vocal concern with political or international events. "Dr. Spock has put a damper on more evenings and monopolized more neighborhood get-togethers than Ike, Sherm Adams, Goldfine, and Hoffa put together," a Toledan reports.

## V. The Good Life

Perhaps there's too much, and too much contradiction, here to fit together into a single, clear picture. But the businessman has to try.

What seems to be emerging, in bits and pieces, is a growing, more self-conscious yearning for a new, mid-20th Century version of the good life. This doesn't mean a desire for fewer things—the young bride-to-be is still intent on her TV set and wall-to-wall carpet. But the pride of simple possession is yielding—if only a little—to the urge to get more fun out of those possessions.

• **New Standards**—Bostonians are turning down better jobs elsewhere because

they like the old city's leisurely pace; they are "stopping to enjoy it all." Cafes such as you find in Europe, where you sit all day over a chess game, are popping up (chess is displacing bridge as a Boston favorite).

In Pittsburgh, they are buying for "better living," for satisfaction rather than for prestige. Some Milwaukeans seem to be looking for "more worthwhile things and truer interests"—but haven't decided what they are. The average Houstonian, thinks a retailer there, is having fun with the things he already has.

• **Culture**—Does the good life include culture? Yes and no.

In Boston they are reading earnestly. Books turn up more often than shows in Los Angeles conversation. Everywhere people are reading for information, rather than pleasure. "They ask for a magazine with educational value," a magazine salesman reports.

Heifitz and Van Cliburn and the Moiseyev Dancers were sellouts in Los Angeles—so are the amusement parks. Drive-in theaters are flourishing in Tulsa. Some places are starved for good entertainment, yet several attempts to bring in Broadway shows and stars have flopped. In lots of places, though, little theater groups flourish.

The Chicago YMCA reports a 20% increase in its adult classes every year since they started in 1946. Classes in skills and crafts, in creative thinking, and "discovering your aptitudes" pull the best. Adult education is nearing its early postwar peak in Louisville—but many students are there on their employers' money, because companies insist on "well-rounded employees."

Runner-up to high prices as favorite conversation piece in Atlanta is TV commercials; more than a few people

there keep mental black books to jot down items they mustn't buy because of "repulsive" TV commercials.

• **What It Means**—More and more people think the good life means a job they like—but this isn't always attainable. In fact, some observers feel that the yen for aggressive do-it-yourself may be a reaction to the heavy accent on the "team" at the office.

The good life means, most of all, a pleasant home where you can do as you please. It means family responsibilities. Fathers, worried about talk about juvenile delinquency, hurry home nights. They go to church, and they send the kids to Sunday School.

Their conception of the good life doesn't have to mean big outlays. If charcoal steaks are too costly for the ubiquitous cookout, hamburgers will do.

To many, it means privacy, a drawing into a smaller circle. Social groups tend to become more intimate. "I hardly ever see anyone except when a neighbor drops in," one householder says. Gardeners are planting shrubbery to block out neighbors. In Seattle, they are building fences.

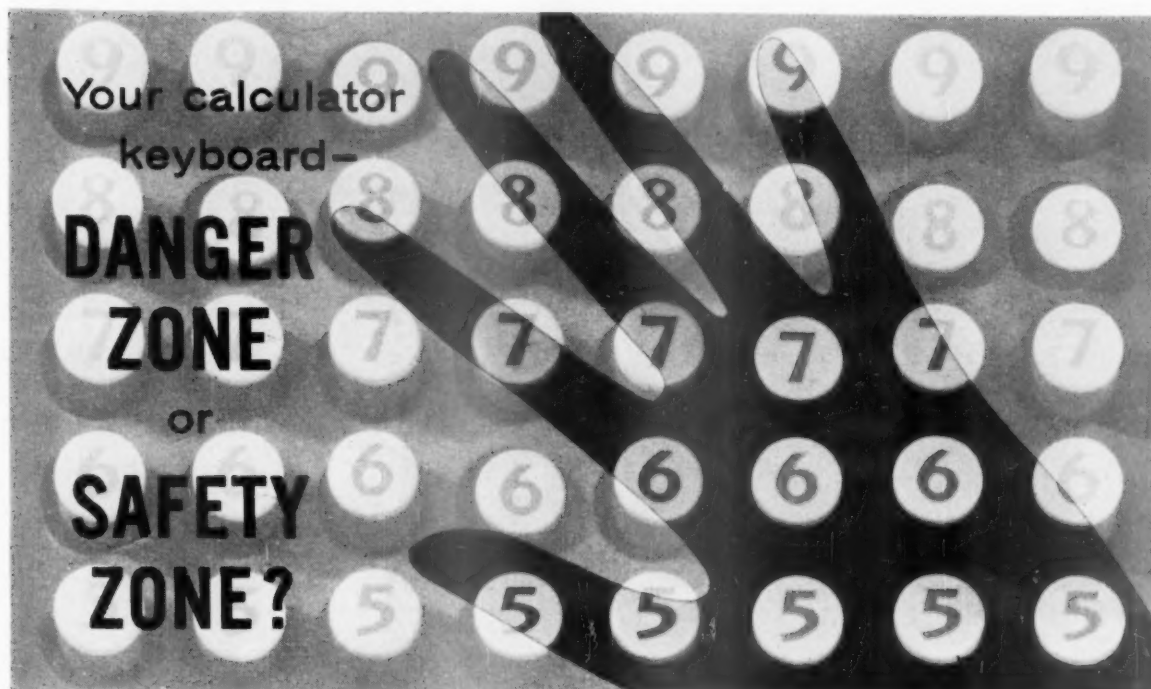
• **Prestige Values**—Status symbols are not dead. One must at least have a charcoal grill, but it's better if you have a rotisserie. People often say they like the economy of the little foreign car—but they are likely to add: "Besides, everyone has a Chevy." And plenty of buyers, looking for a "good used car," have wound up with a big shiny new one.

But the standards seem to be shifting. "It seems common to drive a flashy car when there are so few good books in your library," an Atlantan says plaintively. There's more demand for distinction in goods, more stress on non-conformity. The more private the world you live in, the less thought you need to give to the Joneses.

• **What Started It**—The beginnings of this go back a long way. The returning GI's of World War II, and their girls, voted for family and home a decade ago. In 10 years of spending, they have learned a lot about what to spend—and what not to spend—for.

The latest recession did its part in the training process. Fears of layoffs, of job scarcity, of prices that wouldn't stay down, have developed a new ability to say no—or to bargain furiously for the things one wants. These fears, plus the strange new moons in the sky, seem to have made the consumer's own snug domain more important than ever.

Whether the pattern will change as the recession lifts is a question, but there seems a good chance that it may hold. The man who took his family camping instead of going to a resort sums up why: "It's cheaper—and it's more fun." **END**



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\*This keyboard entry check dial is provided only on the Marchant, among all American-made calculators.

Whether the problem is addition, subtraction, multiplication or division, touching just *one wrong key in the keyboard* can lead to a *wrong answer*. That is why, on other types of calculators, the keyboard is a *danger zone* that constantly threatens figurework accuracy. Getting wrong answers increases figurework costs . . . and wrong answers themselves can be costly!

But with the Marchant calculator it's different. On a Marchant, the keyboard zone is a *safety zone*! Only on a Marchant\* do you get straight-line, *keyboard-dial proof of accuracy*. You can see every entry at a glance. Marchant's immediate, *visible proof of right entries* means you can be confident of *right answers*!

Ask the local Marchant Man to show you how this *accuracy insurance* can save you from expensive errors, cut your figurework costs, and boost figurework output. Or, send the coupon for full information.

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# In Marketing

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## Three Chicago Food Suppliers Plan Chain of Roadside Drive-in Stores

The mushrooming roadside selling business (BW—Jun. 8'57,p62) is attracting new interests. Last week, three Chicago food suppliers, Bresler Ice Cream Co., H. S. Davies, Inc. (wholesale grocers), and Meadowmoor Dairies, launched Convenient Food Marts, Inc., a proposed chain of independently owned, franchised drive-in food stores. Within the next year, the company hopes to have 1,000 units on important city and suburban arteries around the country.

The sponsors of CFM hope that the idea will appeal especially to independent grocers who can't buy in large enough quantities to compete with big supermarkets in price. Store operators will order through CFM, which will be able to realize savings through large-scale buying.

Price of store franchise is \$19,000, of which \$15,000 goes to CFM as a fee, and the rest for stock, license, insurance, construction, and other costs. CFM will supply everything for operating the stores, even do the bookkeeping. All the store operator has to do is sell and stock supplies. CFM takes 3% of gross sales, and puts 1% of this into national advertising.

• • •

## American Research Bureau Offers Instantaneous TV Program Ratings

TV ratings, on which many a program or time sale hinges, may not be getting more popular but they are getting faster. This week the American Research Bureau, TV rating service, launched its service to provide subscribers with instant program ratings.

Called Arbitron, the system uses telephone lines to link TV sets in sample homes to a central computing office. A device in the set registers the channel to which the set is tuned and records any switches. At the central office, data is computed at 90-sec. intervals to yield ratings. These are sent to subscribers next morning. Impatient clients can watch the minute-by-minute progress of shows recorded in flashing lights on a big board in Arbitron's office.

ARB Pres. James W. Seiler reports 44 top agencies have signed up for the service, and he expects to bring in all local stations.

In addition to the local New York rating, ARB plans to start issuing a composite seven-city rating for network programs next week. Additional local service will be offered for Chicago and Los Angeles.

Speed and coverage for the entire month (rather than a few weeks in a month) are the system's chief benefits, according to Seiler. For some users, the electronic equipment means greater accuracy, though Seiler insists his present ratings based on diaries placed in homes are just as accurate.

The possibility of instant ratings is not new to the advertising business. A. C. Nielsen Co., whose national ratings are widely used, demonstrated an instant system for radio in 1946. Nielsen currently has a pilot TV operation in Chicago.

Seiler thinks he has solved one past problem—high costs—with a technique whereby many homes can be linked to a single telephone line. "Cost is the least of our problems," he declares. He believes, too, that subscribers will find that the added speed of the system has enough value over present services to justify paying more.

• • •

## Bill Calls for Detailed Labeling Of Contents of Wide Range of Textiles

Amid a tumult of controversy, a bill broadening federal coverage of textile labeling was sent to the President last week. The bill requires manufacturers and retailers to label merchandise with its true fiber content. It will be enforced by the Federal Trade Commission.

The label will tell consumers the percentage weight of cotton, silk, or manmade fibers—when they constitute 5% or more—of items in a large group of products, such as wearing apparel, draperies, floor covering, and furnishings. Other provisions require identification of the country where any imported textile product was processed or manufactured, and bans the use of names of fur-bearing animals to describe textiles that do not contain fur fibers.

The bill attracted many supporters and brought out many opponents. The National Retail Merchants Assn., for one, vigorously opposed the bill. NRMA says it favors uniform labeling, but feels that the proposed law shifts too much of the burden from manufacturers to retailers. NRMA also objects to the country-of-origin provision as being harmful to reciprocal trade.

On the other hand, many groups—including cotton producers, carpet and drapery manufacturers, and fur breeders—supported the legislation.

The bill does not become law until 18 months after the President's signature—to give industry time to prepare. After nine months, FTC must spell out its rules for enforcement.

• • •

## Montgomery Ward Tempts Consumers With 10% Price Cut, Special Coupons

Mail order catalogue prices continue to drop. Montgomery Ward's new fall sale catalogue, out this week, contains price cuts averaging 10.2% and, for the first time in 20 years, consumers are offered coupons, worth from 50¢ to \$15, when special items are purchased. The price cuts come on top of the 2.5% average reductions that Ward announced several months ago, along with three other mail order houses (BW—Jul. 5'58,p28).

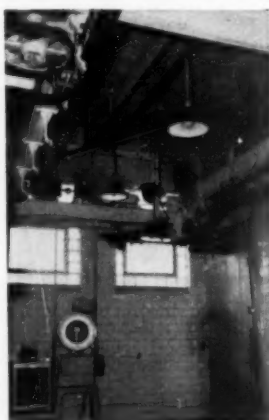
The new price reductions apply to 85% of the 17,233 items listed in the catalogue. The coupons, offered with 86 items, may be applied to the cost of orders from any Ward's catalogue, including the Christmas issue out in the middle of October. They are good through Nov. 25.



**LOOK TO TOLEDO for Progress  
in the World of Weighing**

### **MULTI-SCAN FOR WEIGHING ITEMS IN MOTION**

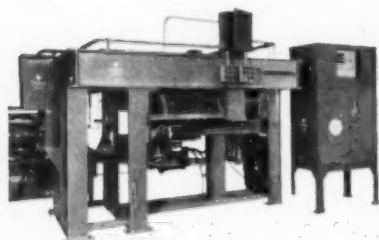
For items moving on overhead tracks (hog carcasses, for example) Toledo Multi-Scan system provides accurate average weights without necessity of bringing the swaying carcasses to rest. Weight data is fed into remotely located adding or other office machines for listing and totalizing of weights. Identifying data may also be introduced through key input stations.



### **AUTOMATIC BATCHING SYSTEMS**



"Remocon" controls feature remote setting for fully automatic operation. Simple dial knob adjustments control quantities of each ingredient, allow precise duplication of batches. Extremely flexible — use with a single scale or multiple scale batching system.

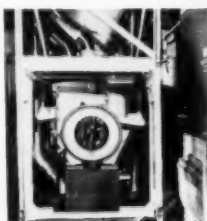


### **PRODUCT TESTING AND CLASSIFYING**

This custom-engineered Toledo automatically tests and classifies large coil springs. It is one of many types of Toledos used for classifying a wide range of items — from small packages to large cartons and production parts — in a variety of manufacturing operations.

### **AUTOMATIC BULK WEIGHING**

Toledos provide accurate, net weight listing and totals of bulk materials going into truck or carload shipments. Weighing is automatic. A Toledo weight-control console with automatic recording and totalizing unit may be remotely located for operating convenience.



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When you have a problem in weighing, testing, counting, batching, sorting or weight data processing . . . and you want the practical, economical answer . . . it will pay you to check with Toledo. Toledo's complete line of industrial scales provides today's effective answer for a wide range of needs; or for special applications, Toledo Scale engineers will work with you on modifications or completely custom-engineered units. Toledo's huge reservoir of experience is your assurance of a practical, cost-saving solution. Let us help you. Write **TOLEDO SCALE**, Division of Toledo Scale Corporation, Toledo 12, Ohio.

**TOLEDO** HEADQUARTERS FOR  
WEIGHING SYSTEMS

### **ELECTRONIC AND HYDRONIC SCALES**

Toledo Electronic Scale heads may be remotely located wherever convenient, because there are no mechanical connections. Toledo offers full electronic scales, also combinations with hydraulic or mechanical components to meet a wide range of requirements. For specific applications, digital indication of parts counts may be provided electronically.



# The Boom in Construction Stocks

**Building surge sparks a market rise that runs well ahead of shares in general. But rising money costs are a threat.**

Construction stocks, woeful performers during the last stages of the 1953-7 bull market, now are soaring, running ahead of a budding nationwide building boom (chart).

As usual, they have served to forecast a business upturn. They started rising long before the turnabout of other industrial stocks—and ahead of most other business indicators. Standard & Poor's index of building materials stocks hit its 1957 low in December. Since then, it has jumped 35.1%. In about the same period, S&P's 425-industrial stock measure climbed only 20.5%.

What's more, there's nothing definite to indicate that the fire has gone out from under construction shares. Earnings of most construction companies have started to turn up lately, and the outlook for bigger profits appears promising.

• **Recovery**—This sanguine future is based on the rapidly developing pace of building, churning upward since December. Contract awards this year are now estimated to reach \$19.5-billion, says *Engineering News-Record*, a McGraw-Hill publication. This will top 1957's total by 8%, and mark the sharpest recovery in construction plans in modern-day history. Next year should even be better. Awards should pass \$20-billion, only \$1.7-billion below the 1956 record.

Homebuilding, surging after a slow start, is adding a lot of power to the drive. In July, housing starts bounced to a 1,160,000-a-year rate, the best in two years.

• **Borrowing Costs**—To all these fine prospects, a major threat is looming in the dramatic turnabout in money rates. Higher borrowing costs could strike a heavy blow, especially to public works projects, the backbone of today's construction boom.

This year's construction of public works has been expected to be 16% greater than 1957, establishing an all-time high of \$8.6-billion. Another 10% rise is expected in 1959. But these figures haven't taken into account higher interest charges. Many construction people fear that continued tightening credit will discourage borrowing—particularly by states and municipalities.

Most industrial construction and homebuilding programs are set for this year. They have received financing com-

mitments from lending institutions, and these probably won't be withdrawn, except in scattered instances. It's in 1959 that the impact of higher rates could be powerful.

Some municipalities could be forced to cancel ambitious plans, since many local governments are required to get par for their issues, with ceiling on how much interest they can pay.

• **Private Homebuilding**—The stiffening mortgage rates also could put a crimp in private homebuilding, just when housing in general was counted on to give impetus to a recovering business cycle. With public housing already expected to fall off next year, a drop in private housing would be a serious upset. And if the Administration persists in removing its earlier stimulants to home buyers—in the form of easier FHA terms, new money in the GI home loan program, and a boost in Fannie Mae funds—it would be a stunning blow to the housing market (page 35).

Any slowdown in building activity will upset seasoned buyers of construction shares. For even under the capacious covers of prosperity, many big suppliers of building materials have showed a lower return on their capital than industry as a whole. Moreover, many companies have taken a chance on diluting existing shareholders' equities by offering new stock issues for expansion purposes.

This has often boosted net income,

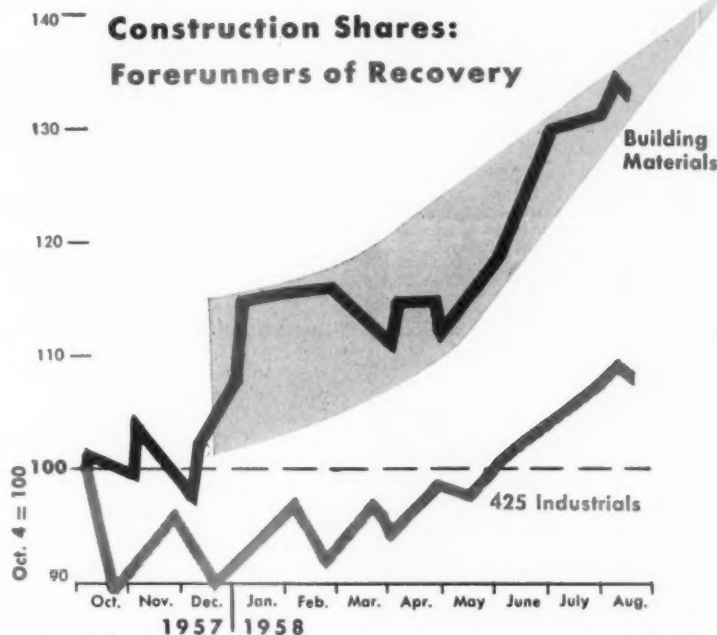
but not per share earnings. Even in today's boom, earnings are not improving as greatly as one might think. Most construction companies still are below first half 1957 figures. And although earnings are expected to recover a good deal from the depressed levels of 1957, full-year gains will be modest.

That's because the industry is plagued by a number of factors that hurt profits. For one thing, most building supplies are in oversupply, and expansion in capacity still is going on. Costs of skilled labor are rising, and companies find it hard to pass on these higher costs to builders because of heavy competition. Lately, there's also been increasing difficulty in getting large contracts—particularly public works projects—without making concessions.

• **Shifting Pattern**—There is no set earnings pattern for the industry; it varies with each group.

For cement companies, earnings generally will exceed strike-depressed 1957. The least favorable results probably will come from the Eastern companies, bothered more by competition and oversupply. Several companies appear to be outdistancing the rest. Marquette (which has boosted its dividend rate) has a 15.8% increase in sales for the first half. Ideal Cement is up 12.1%, and Medusa, 7.6%.

For the most part, though, investors already have discounted increased earnings by cement firms. From its 1957



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FROM *G.B.*

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low, Ideal Cement is up 45%, Lone Star 45%, Marquette 98%, Penn-Dixie 69%, General Portland 56%, and Lehigh Portland 35%.

• **Wallboards**—Increased homebuilding is giving boosts to many companies. The wallboard and roofing group shows promise of increased earnings. Most companies show low first-half earnings, on reduced sales, but a few are doing better than expected.

Johns-Manville has second-quarter earnings of 85¢ against 79¢ last year—but it's still behind for the first half. Tilo Roofing Co. also is benefiting from continuing strength in the "fix-up" market. It earned 85¢ a share in the second quarter, as against 78¢ in the same period last year.

The major gypsum companies also are cashing in on their campaigns to bolster the home modernization and repair market. They have been fairly successful in keeping their price structure stable and sales and earnings aren't too far behind last year's figures. Investors, though, have noted this, bid their stock prices up high. Bestwall is 106.6% ahead of its 1957 low, National Gypsum 57.6%, and U.S. Gypsum 70.7%.

• **Small Margin**—New vigor in homebuilding is also helping lumber and plywood companies, which have been able to increase prices with the flow of new orders. The West Coast Lumbermen's Assn. says orders have topped output for two months. But most companies in the group still can't earn much on the present level of prices, and full-year gains will be small.

One exception could be U.S. Plywood, which registered the largest first-quarter sales in its history (its fiscal year ends Apr. 30). Earnings rose to 81¢ per share, compared with 71¢ the year before. But prior to the upturn in its earnings, the company reduced its dividend from 50¢ to 37½¢ quarterly. And it doesn't plan yet to reinstate the difference.

Paint producers look for an upturn in homebuilding to ease their plight, since two-thirds of production goes to coat buildings. They suffered earlier in the year partly because sales of industrial finishes slipped about 10%, partly because demand for finishes for consumer goods, such as cars, declined sharply.

• **Over-Expansion**—The plumbing and heating group appears to be the least promising in the industry, with curtailment of industrial and commercial production cutting into earnings. There's also a heavy load of over-expansion in this segment and, unless homebuilding moves substantially ahead or industrial construction picks up anew from this year's slump, profits could continue relatively poor.

Walworth Co., for example, earned only 8¢ in the second quarter, compared

to 55¢ in 1957's second quarter. This sad showing pushed first-half earnings down to 33¢, as against \$1.11 for last year. Crane Co.'s earnings are down from \$1.47 for the first half in 1957 to 51¢ this year. And American Radiator is off 15¢ from last year figures.

• **Dim Viewers**—Despite the construction boom, the fact that future earnings already have been discounted is making some investors chary of buying building materials stock. A number of brokerage houses, in fact, are recommending that investors take profits now; Sutro Bros. suggests that U.S. Gypsum, Ruberoid, Certain-Teed, and Celotex are priced "amply enough" to be sold off.

## Wellington Fund Group Branches Into Commons

Philadelphia's Wellington Fund, one of the nation's oldest and largest mutual funds, has prospered by championing a middle-of-the-road approach to investing, seeking secure yields even more than growth.

This week, its managers struck out on a new course. They announced the formation of Wellington Equity Fund, aimed primarily at long-term capital appreciation. The decision was made, said Pres. Walter L. Morgan, "because thousands of investors want common stock funds to protect them against inflation."

There is no intention of abandoning Wellington Fund, a balanced fund, which spread risks by investing in a conservative blend of fixed-income securities and common stocks. Its success is undisputed. Assets of the fund have climbed from \$3-million two decades ago to over \$725-million now, with 240,000 shareholders.

But Morgan is anxious to get a piece of the lush pickings now available in the common stock field. Dealers all across the country, who get a commission on each sale of a fund share, have clamored for Wellington to enter the common stock field. In fact, Morgan's own sales force has voted twice in the past two years for the trust to expand. But Morgan was reluctant, because he didn't want to jeopardize the success of Wellington Fund—which he claims has had larger sales over the past five years than any other fund.

Equity Fund is expected to be in operation early in October. Initially, plans call for an offering of 2-million shares at \$12 per share. This would mean that the fund, after underwriting costs are taken out, would have a capitalization of about \$22-million. Fund executives admit this is a conservative estimate of what they hope to sell. They expect the offering will be at least double once public interests are aroused. **END**



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# In the Markets

• • •

## Stock Prices Stage a Listless March

### Toward Record Highs—Without Arriving

The post-Labor Day stock market moved up to within shooting distance of the all-time record highs set in July, 1957, but it was a slow and cautious climb lacking in zest.

Technicians feel that the market will continue to advance. Some see the measured upbeat as a sign of strength. A frenzied rush to bid up the price of stocks would inevitably have brought about a reaction.

But investor sentiment continues bullish and speculative. There was active trading, for example, in low-priced stocks, typical speculator favorites. In addition, there was a definite switch from the defensive issues—utilities, foods, department stores—that performed well in the recession to cyclical growth stocks—steels, oils, chemicals—that are favored in booms.

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## Institutional Buyers Shy From Bonds

### In Hope of More Alluring Rates Later

Bond salesmen this week reported increasing resistance among institutional customers as the Federal Reserve continued its slow but steady tightening of credit.

Prices of outstanding issues showed comparatively little change, mainly because the Fed's move has been discounted, if not over-discounted. But salesmen are finding it difficult to dispose of inventory on underwriters' shelves even though few new issues are available. They say that institutional buyers are unwilling to buy in today's market, hoping that interest rates will be even more attractive as the economy moves up and the Fed presses its anti-inflationary policy.

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## Twin Triumphs Go to Gilbert

### In Battle to Control E. L. Bruce

Edward M. Gilbert, 34-year-old contender for E. L. Bruce Co., scored two major victories in the last week:

A Delaware court clamped a temporary restraining order on Bruce's purchase of Welsh Plywood Corp. for 10,000 idle Treasury shares (BW—Aug. 30 '58, p. 24). It freed, the shares would probably be voted for Bruce management at the company's stockholders' meeting late in October. The court said it would make a final decision on Oct. 9.

The American Stock Exchange, which made one abortive attempt to erase the corner in Bruce stock (BW—Aug. 23 '58, p. 88), rescinded its ban on compulsory delivery of contracts in the company's shares. This means that shorts now can be forced to cover—unless

they manage to stay ASE's move with a court order. Gilbert reportedly will receive the bulk of these shares.

These latest rounds in the six-month fight for control between the Bruce family and Gilbert could be decisive. But the issue probably won't be settled until the stockholders' meeting, since there is still some outstanding stock held by neither side.

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## NYSE Moves in Another Short Squeeze

Altered by ASE's unhappy experience with the Bruce corner, the New York Stock Exchange this week acted promptly and firmly to ease a similar squeeze on short sellers of Artloom Carpet Co. stock.

NYSE issued a bar against stop orders in the company's shares. Stop orders are customers' orders to buy or sell a stock at a specified price; they can contribute to price gyrations in an actively traded issue. In the case of Artloom, there was a danger that sharp price jumps would set off a large volume of such orders.

From a low of \$3.75 earlier in the year, Artloom has climbed to \$23. Most of the jump has come in the last three weeks, partly because of better earnings and short covering. But even more, Artloom has become a traders' pet. Some are betting that Artloom's big short position can be used to squeeze the shorts—forcing them to bid up the stock price. Others are riding the coattails of Hyman Marcus, chairman of Artloom since June, who fostered a big rise in U.S. Hoffman Machinery Corp. a few years ago.

The short position in Artloom soared to 35,900 shares on Aug. 15 from only 1,589 shares in mid-April. The present figure is equal to about 7% of the company's outstanding stock.

The Securities & Exchange Commission is investigating to see if there has been any price manipulation. But it's doubtful whether a corner really exists in Artloom.

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## Fund for South African Investment

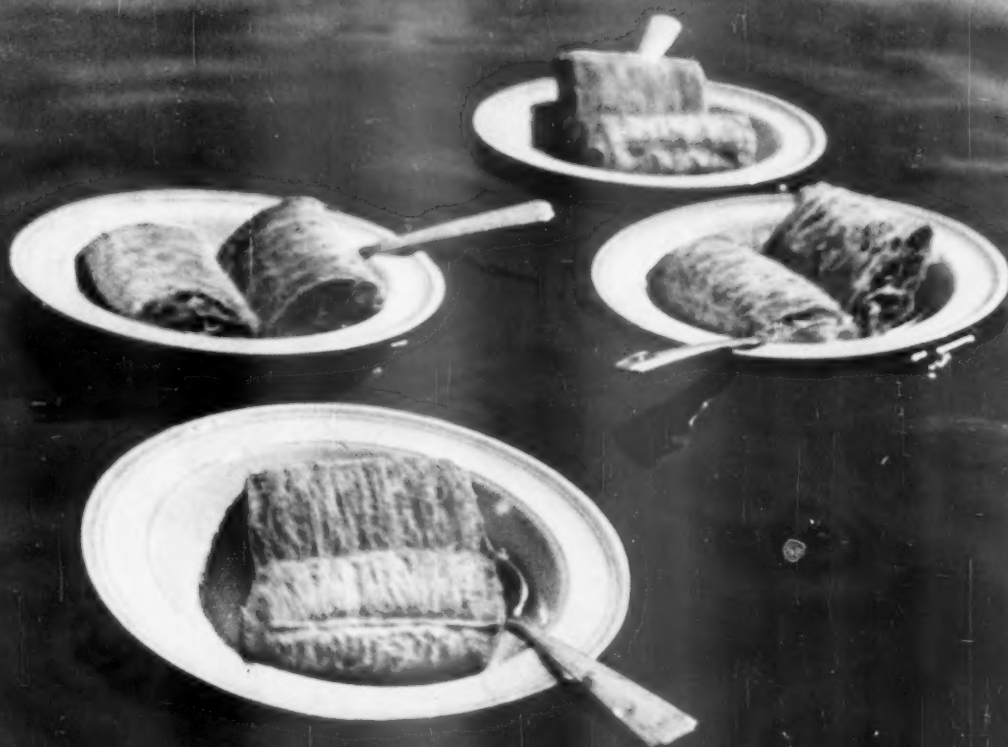
### Will Put Its Major Bets on Gold

Full details now are out on American-South African Investment Co., Ltd., the closed-end "gold trust" sponsored by Dillon, Read & Co. and Charles W. Engelhard, Jr., of Engelhard Industries (BW—Feb. 2 '57, p. 91).

The fund, which will be listed on the New York Stock Exchange in about a month, will have an initial capitalization of \$28-million. It will issue 1-million common shares.

American-South African will invest solely in South African companies, basically those involved in gold or other metal mining. Through an arrangement with the South African Reserve Bank, it also will be able to hold up to 25% of its assets in gold bullion or certificates of deposit for gold.

The company will not be subject to U.S. corporate income taxes. But any dividends received by U.S. shareholders—and they will be small since most earnings will be retained for expansion—will be subject to normal income tax rates here.



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# PERSONAL BUSINESS

BUSINESS WEEK

SEPT. 6, 1958



About 25 new shows will move into Broadway's legitimate playhouses from now until yearend, marking a theatrical season that should produce its full share of "SRO" signs.

At this point—based on advance sales and what Broadway insiders have to say—you can tab at least a half dozen probable "solid hits."

First of these on the opening date list is the Eugene O'Neill tragedy, *A Touch of the Poet*, starring Helen Hayes, Eric Portman, and Kim Stanley. This drama, set in a Massachusetts town in 1828, is a good deal lighter than many of O'Neill's efforts (Helen Hayes Theatre, 210 W. 46, opening Oct. 2; top \$7.50).

The big musical, *Goldilocks*, promises much fun. It's all about the love life of a silent movie star, with Barry Sullivan and Elaine Stritch; it was written by New York drama critic Walter Kerr and his wife (Lunt-Fontanne, 205 W. 46, Oct. 9; \$9.90).

Next in the probable top hit class comes *The World of Suzie Wong*, from Richard Mason's novel about a young Chinese girl. Starring France Nuyen and William Shatner, it is being piloted to Broadway by producer David Merrick (Broadhurst, 235 W. 44, Oct. 14; \$6.90).

If you like dramatic comedy, *The Pleasure of His Company* is coming a week later with several leading names on the marquee—Cornelia Otis Skinner, Cyril Ritchard, Charlie Ruggles, and Walter Abel. This is on the sophisticated side (Longacre, 220 W. 48, Oct. 22; \$6.90). Or you can try *The Marriage-Go-Round*, another likely looking light show, pairing Charles Boyer and Claudette Colbert (Plymouth, 236 W. 45; Oct. 29; \$6.90).

For music, probably the biggest night of the season will be the opening of Rodgers & Hammerstein's *The Flower Drum Song*, starring Miyoshi Umeki (who scored in the movie, *Sayonara*), Ed Kennedy, and Juanita Hall. This show, with a tremendous advance sale, has its setting in San Francisco's Chinatown (St. James, 246 W. 44, Nov. 27; \$8.05).

Finally in the probable top hit class is a drama that some say could be the dramatic high point of the season: *The Disenchanted*, from the Budd Schulberg novel about the life of F. Scott Fitzgerald. It stars Jason Robards, Jr., and opens the first week in December (no theater announced, but for tickets write to producer William Darrid, 137 W. 48).

Briefly, here's a rundown of other shows that look interesting, any one of which could prove to be the "sleeper" of the season:

**Dramas.** On the dramatic side, you'll find *A Swim in the Sea*, an emotional family drama, with Fay Bainter (Lyceum, 149 W. 45, Sept. 30; \$5.75); *Epitaph for George Dillon*, about a parasitic young man, with Eileen Herlie and Robert Stephens (Golden, 252 W. 45, first week in Nov.; \$5.75); *The Cold Wind and the Warm*, by S. N. Behrman, based on stories about the author's boyhood, with Eli Wallach (Morosco, 217 W. 45, Dec. 4; \$6.90); *This is Edwin Booth*, based on the actor's life, starring Jose Ferrer (opens Dec. 11; for tickets, write to Playwrights Co., 1545 Broadway); *J. B.*, by Archibald MacLeish, placing the story of Job in a modern setting and directed by Elia Kazan (opens Dec. 11; for tickets, write to Alfred De Liagre, 55 W. 42).

**Comedies.** For laughs, *Once More, With Feeling* is about a symphony conductor and a lady harpist, starring Joseph Cotton and Arlene Francis (National, 208 W. 41, Oct. 21; \$6.90); *Patate*, a French comedy adapted by Irwin Shaw, with Tom Ewell (Henry Miller, 124 W. 43, Oct. 28; \$6.90); *The Man in the Dog Suit*, a satire starring Hume Cronyn and Jessica Tandy

# PERSONAL BUSINESS (Continued)

**BUSINESS WEEK**  
**SEPT. 6, 1958**

(Coronet, 230 W. 49, Oct. 30; \$6.90); **Crazy October**, with Tallulah Bankhead cavorting in a West Virginia roadhouse (Alvin, 250 W. 52, Nov. 3; \$6.90); **The Gazebo**, comedy-mystery that stars Walter Slezak (opens Dec. 3; for tickets write to Playwrights Co., 1545 Broadway).

**Musicals.** A revue, **La Plume de Ma Tante**, with long runs in London and Paris to its credit; tagged by its producer, David Merrick, as "a French Hellz-a-Poppin" (Royale, 242 W. 45, week of Nov. 2; \$7.50); **Whoop-Up**, with a big advance sale, is based on the book, **Stay Away, Joe**; produced by Feuer & Martin, who have had several smashes lately (Shubert 225 W. 44, Dec. 18; \$8.05). The much-talked-about musical, **At the Grand**, starring Paul Muni, has dropped out until further notice.

In ordering tickets by mail it's a good idea to give alternate nights if possible and not demand special locations.

If you want to see pre-opening performances of some of these shows, write to Stubs Preview Club, 246 W. 44.

Has your country club hit you with a special assessment lately? If so, you may want to check your club's costs against a survey of 52 representative clubs reported by Horwath & Horwath, consultants in the hotel and club field.

The survey found that if a member of a medium-size "average" club paid \$500 in 1957 dues, \$205 (41%) of his money went to make up losses from clubhouse operations (mainly the bar and dining room); \$155 (31%) went for golf and ground expense; \$10 (2%) covered miscellaneous outside activities (such as tennis courts); \$80 (16%) was used to pay off fixed obligations—and \$50 (10%) was left over for depreciation and other purposes.

Generally, most departments of a country club—bar, dining room—are not self-supporting and must draw on dues income to break even.

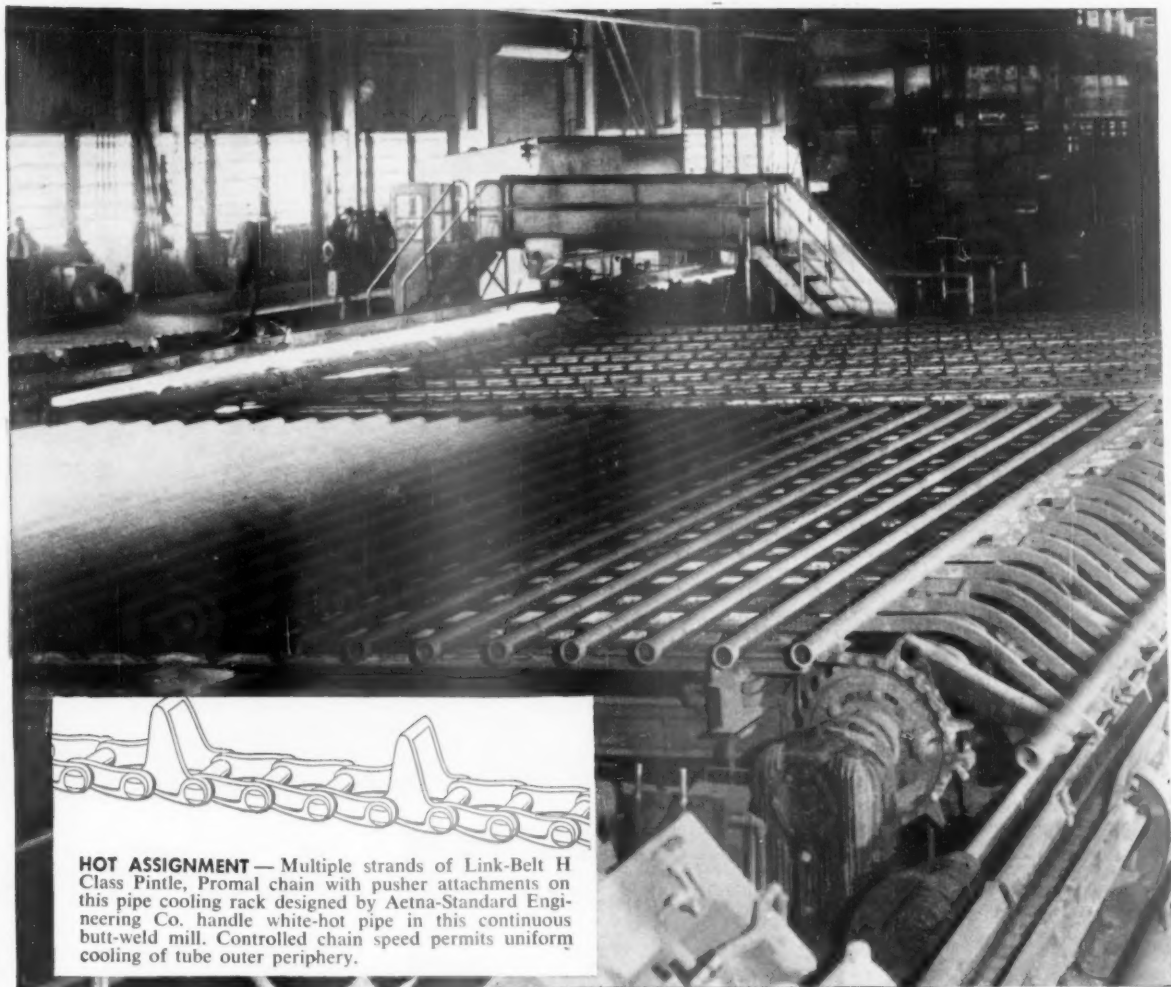
Of the 52 clubs surveyed, 11 levied special assessments in 1957. However, most of the 11 are clubs that limit their dues and regularly use assessments to make up operating losses. None of the remaining 41 clubs found it necessary to levy assessments.

Only eight of the 52 increased their annual dues—with the boosts in a range from \$12 to \$120. Initiation fees were raised by 10 clubs—\$30 by two clubs, \$100 by two, \$150 by one, \$250 by one, \$500 by one, and \$1,000 by three. The cost-per-hole of upkeep of golf course and grounds—a gauge of a club's operational efficiency—averaged about \$2,700 for the medium-size clubs, up 5% over the previous year.

**Health note.** Medical authorities warn that there's still a question about how long polio immunization lasts. So you may want to talk to your doctor about a fourth shot for your children or yourself, if the three-shot vaccine series was finished more than a year ago. Paralytic cases in recent weeks have been running higher than in the same period last year.

**Hunting season coming up:** The gun enthusiast, hunter or collector, will want to see the 13th annual edition of **Gun Digest**, edited by John T. Amber (Gun Digest Co., Chicago; \$2.95). The 325-page volume gives the latest information on new pistols, revolvers, rifles, shotguns, and ammunition, as well as a complete catalogue of American and foreign guns and accessories; over 40 articles by top gun writers; more than 500 illustrations.

# Where chain proves its metal



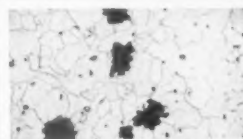
**HOT ASSIGNMENT** — Multiple strands of Link-Belt H Class Pintle, Promal chain with pusher attachments on this pipe cooling rack designed by Aetna-Standard Engineering Co. handle white-hot pipe in this continuous butt-weld mill. Controlled chain speed permits uniform cooling of tube outer periphery.

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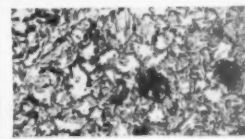
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## COMPANIES



## Top Cargo

**Atom power and subsidies mean change of route for Walsh and Mercer (above) of States Marine.**

When the U.S. government picked States Marine Lines a few weeks ago to be the pioneer operator of the world's first nuclear-powered merchant ship, the Savannah, there were raised eyebrows in the shipping industry, denunciations in Congress, and rumblings of a possible investigation. A shipping company virtually unknown to fame had grabbed the prestige prize away from the industry's best-known names.

Even officials of other shipping lines know very little about this company, which is their keenest competitor. Yet,

**SWAPPING SHIPS** among routes to get them where freight is—as traffic men at left are doing—is one of States Marine's strong points as an unsubsidized operator.





## Giant Starts Out on a New Course

though it has shunned the glare of publicity, States Marine is to the dry cargo ship industry what the Onassis, Niarchos, and Ludwig fleets are to the tanker industry. Its postwar rise has been one of the most spectacular in shipping industry history.

It has been steered ever since its launching by the same top team of Cornelius S. Walsh, president, and Henry D. Mercer, founder and chairman (cover and above), along with Arnold D. Frese, executive vice-president and treasurer. (These three men are high in the news right now as owners of the syndicate that built the Weatherly, a strong contender to represent the U.S. in the America's Cup 12-meter race this fall.)

Guided by this trio, States Marine can now boast these distinctions:

- It is rated today as the world's biggest cargo ship operator, sending well over 100 ships to more points of the

globe, probably, than any other company. It runs both a U.S. flag fleet and ships under foreign flags.

- Last year it hauled over 13% of all U.S. shipments, not counting tramp ship cargoes.

- With assets valued at "more than \$100-million," States Marine stands at the head of one of the most complex and sprawling of all shipping empires, which operates through a maze of domestic, Panamanian, and Norwegian companies.

- Most surprising of all (and perhaps this explains Congressional ignorance about it), States Marine has shot up to its present position without the aid of government subsidies—at a time when government props have been the prime support that has kept the U.S. dry cargo fleet on the high seas.

Surging ahead under its own financial steam, and propelled by its relentless drive for more and more freight, States

Marine has come a long way since the days right after World War II when it didn't even possess a ship of its own (the five U.S. flag vessels it bought just before the war were sunk during hostilities). Only a month or so ago, it put the capstone on its postwar expansion when its subsidiary, Isthmian Lines, bought half interest in the new Matson Orient Line.

- **Turning Point**—For States Marine, the Savannah operating contract does more than catapult the company into the public limelight and into nuclear leadership. It signals an about-face in the company's operations.

For this is not States Marine's only approach to government. It is turning its back on the unsubsidized operation that has been the basis of its rapid rise, and has applied for an operating subsidy. If all goes as expected, it will begin subsidized operations by Jan. 1.

This will mean drastic changes for

## Air baggage rolls economically on



### "FLOATING HUBS"

Casters take a beating on baggage carts at New York International Airport, operated by The Port of New York Authority.

Officials decided to try Bassick "Floating Hub" casters. Though designed to snub out shocks to the load, the "Floating Hub" should protect the caster itself as well. They tried "Floating Hubs" on a single baggage cart.

The savings were so outstanding that "Floating Hub" casters are now specified for all maintenance replacements. What's more, "Floating Hub" casters are also specified for the new lightweight carts in use at Idlewild's new International Arrival Building. And, of course, these shock absorbing casters protect baggage from bumps or jiggling off casters.



Perhaps Bassick "Floating Hub" casters can solve a problem for you. Let your Bassick distributor advise you. He can tell you which caster is best for maintenance and make sure you get the right caster for new equipment. **THE BASSICK COMPANY**, Bridgeport 5, Connecticut. In Canada: Belleville, Ont.



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SYMBOL OF EXCELLENCE

MAKING MORE KINDS OF CASTERS... MAKING CASTERS DO MORE



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the company. Once it goes into subsidized operations, it will have to divest itself of its foreign flag interests—the Panamanian and Norwegian flag operations that make up a vital part of its empire. That will involve splitting itself down the middle into U.S. and foreign flag segments.

Government subsidies bring government regulations along with them. And the requirements for maintaining minimum schedules to certain overseas ports will rob States Marine's U.S. flag operations of some of the flexibility that has been its stock in trade—its ability to switch its sailing schedules on short notice so as to send ships where traffic is heaviest, or big shippers beckon. It will still retain some of this advantage, however.

In the offing also is a long-range building program that will change the traditional policy of chartering a large part of the company's U.S. flag fleet (and the need to replace aging U.S. flag ships is one of the prime reasons for the switch to subsidy operation). This in turn will lead the closely held company into public financing.

Why independent-minded, publicity-shy States Marine is jumping across the dividing line into subsidy operation, and embarking on the other drastic changes becomes clear only when you look at States Marine against the background of the complex dry cargo shipping industry in which it forms such a giant segment.

## I. Crest of the Wave

A relatively unimportant ship line before World War II, States Marine has parlayed a combination of cotton cargoes, chartered ships, aggressive management, and purchases of other shipping lines into a globe-circling shipping complex.

In the U.S., States Marine's operations cover the full range of ports on the Atlantic, Pacific, and Gulf of Mexico. Abroad it serves some 37 countries and calls at 129 ports. Its shipping network concentrates on northern Europe, the Mediterranean and Near East, the Persian Gulf, India, and the Far East.

Among others, there's a westbound round-the-world service, a Hawaii and Pacific Coast to Europe service, Pacific-Havana and Pacific-Puerto Rico services. Intercoastal services link Gulf and Pacific ports, Pacific Northwest and Atlantic ports; and there's a joint service with Matson Navigation Co. between Hawaii and Atlantic and Gulf ports. Virtually all of States Marine's ships operate in berth service—that is, on fixed schedules.

• **Ships**—States Marine owns 39 U.S. flag vessels, counting in those of its wholly owned subsidiary, Isthmian Lines, Inc. (This, of course, does not

include the foreign flag ships owned by subsidiary Panamanian and Norwegian corporations.) In addition, States Marine has kept 40 to 60 U.S. vessels under hire since World War II's end.

Next largest U.S. cargo ship operator is Lykes Bros. Steamship Co., with some 60 ships in service as of last Jan. 1, according to Maritime Administration figures. U.S. Lines has 58 ships. Moore-McCormack Lines, 45.

## II. Atomic Pioneer

It's the far-flung operations of States Marine that won for it the prize—eagerly sought by seven U.S. shipping companies—as first operator of the world's first atomic-powered merchant ship, the NS Savannah (NS for nuclear ship). Matson Navigation Co. won the job of handling passenger bookings for the \$40-million ship, which will carry some 60 passengers along with about 9,500 tons of cargo.

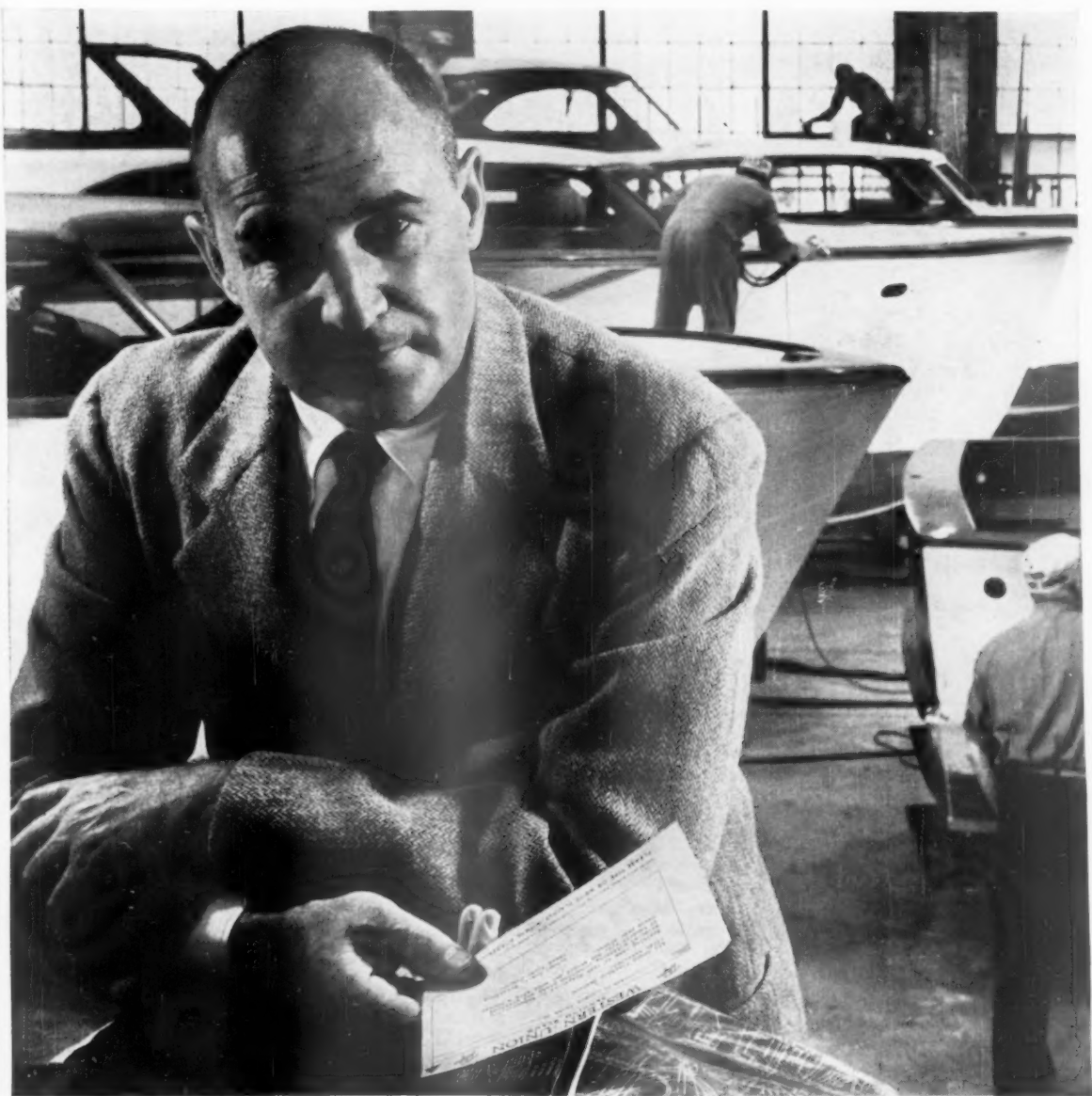
The pioneer nuclear merchant ship is now building at New York Shipbuilding Corp.'s Camden (N.J.) yard, and is scheduled for launching some time next spring, and for operation in 1960. Babcock & Wilcox Co. has a \$9.8-million contract for the advanced pressurized water nuclear propulsion unit.

• **Controversy**—When States Marine got the prize, Chmn. Herbert Bonner (D-N.C.) of the House Merchant Marine Committee denounced the decision on the floor of the House. Other reports tied in the new chairman of the Atomic Energy Commission, John A. McCone, formerly head of the West Coast shipping company, Joshua Hendy Corp., which is part owner with States Marine in some foreign flag vessels.

But nothing has been shown indicating political favoritism, and observers say States Marine merely gave the government a hard sell on its ability—as a worldwide shipping operator with experience in ports around the globe—to show off the Savannah to best advantage in its proposed world atoms-for-peace tour. Monetarily or otherwise, there were said to be no spectacular differences in the various bids.

• **Prestige, Not Profit**—Details of the final contract have not been completed, but operation of the ship will be a matter of prestige rather than profit. States Marine estimates the job will cost it anywhere from \$200,000 to \$500,000—primarily for expenses, borne by the line, of training some 16 engineers to serve on the ship, and a less extensive course for deck officers and crew. The government normally pays around \$100 a day over expenses for operating its ships; the Savannah contract is expected to be somewhere near that figure.

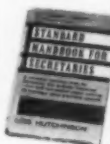
How long States Marine will operate the Savannah has not been firmly set



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down, but its officials believe it will be about two years. That will likely cover the testing period, the "showboat" voyage, and the start of commercial operation. Then operation of the ship will probably be shuttled among as many U.S. companies as possible, to give them operating experience.

## III. Keys to Growth

Behind the spectacular postwar rise of States Marine, capped by its nuclear prize, are three main policies of its aggressive management:

- A hard and steady drive to obtain freight.
- The pursuit of flexibility of operation as a major goal.
- Special emphasis on service to shippers.

Part of States Marine's flexibility comes from its policy of handling a big share of cargo in chartered ships. This permits cutting back and expanding operations as the market itself contracts and expands.

The company's drive for more and more freight has built up impressive totals. Last year its U.S. flag vessels carried over 4-million tons of cargo from the U.S. to worldwide destinations—a slice it grabbed off in competition with more than 30 major U.S. shipping companies and a score or so of foreign flag operations. Adding in States Marine's own foreign flag operations, it totaled in 1957 some 11.5-million tons of freight. Foreign flag ore movements to the U.S.—iron ore from Labrador and Liberia for Republic Steel, from Venezuela for U.S. Steel, bauxite from Jamaica for Kaiser—give the total its big boost.

• **Empty Ships**—In its U.S. flag operations, on the other hand, return cargoes to the U.S. account for very little revenue—in fact, most of the U.S. flag ships come home in ballast. That may seem quixotic. But in the first place, the U.S. imports far less than it exports, so competition is keener and return cargo freight rates low. A non-subsidized operator often does little more than clear expenses.

Beyond that, the empty, homebound ships are a key to States Marine's flexibility. Empty ships not bound by government subsidy rules requiring minimum schedules are not committed to go to any specific port. They can be switched wherever outbound cargo is available.

That switching goes on each Tuesday as top traffic managers of States Marine meet around a table in New York (picture, page 140) and literally trade ships back and forth. If a Gulf traffic manager, for example, has more freight than his ships can handle, he'll tap another manager for extra ships.

• **Always Ready**—That's why one ship-

per can say, "When we call the States Marine people and ask if they can handle a cargo, the answer is always yes. They will figure out later how they are going to handle it. A lot of other companies make us wait a couple of days to tell us they can do it."

Another reason States Marine can say yes fast is sheer size; it may have four or five sailings out of a port in the time another company has only two.

On most routes States Marine belongs to rate conferences that agree on uniform rates, so service is the deciding factor in getting the freight.

These aggressive tactics, employed by States Marine since its early cotton-hauling days, have been the tools for its sprawling postwar expansion.

## IV. Multiple Expansion

Mercer started States Marine in 1930 when he was 35. Soon after, he brought in Walsh, president since 1953, and Frese. These three men and their families own the parent States Marine Lines of New York.

Hauling cotton from the Gulf to Europe in chartered ships gave the line its toehold, but it didn't really get going until after World War II, when it bought 20 government surplus ships for a reported price of around \$17-million. To finance the purchase, it needed extra capital; so in 1947 it formed States Marine Lines of Delaware, 50% owned by the parent company, 50% by other U.S. interests.

• **Intricate**—That started the globe-circling parade. In 1947, States Marine bought control of the South African Marine Corp. operating between the U.S. Gulf Coast and Africa. In 1950, it set up the intricate net of foreign corporations that have expanded its foreign flag operation. These are primarily Panamanian corporations that in turn own minority interests in Norwegian shipping companies—which in turn charter the ships back to the Panamanian companies.

The Panamanian setup, of course, is not subject to U.S. taxes and wage scales. States Marine turns to Norwegian ships because it values the traditional skill of Norwegian sailors—but under Norwegian law, majority ownership of Norwegian companies must be in Norwegian hands. In most cases, other U.S. companies own half-interest in the Panamanian corporations—and that helps account for the multiple setup, since the other half-interest varies from operation to operation.

• **On and On**—On the U.S. flag side of its setup, States Marine has expanded mainly by direct acquisition, buying:

• In 1954, Luckenbach Gulf Steamship Co., a subsidiary of Luckenbach Steamship Co. It got no ships, but won Luckenbach Gulf's rights to oper-



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Soon, as a result of a \$100,000,000 expansion program, more than 75,000 additional families in the Chicago area will be heating with gas. This expansion is typical of the investor owned and tax-paying utilities in the Chicago area—gas, electric and telephone—which have budgeted construction expenditures in excess of \$460,000,000 for 1958.

Edward Jennett, Vice President of The First National Bank of Chicago, will be following developments of these projects with great interest. He is head of Division H which provides financial service to the utilities industry.

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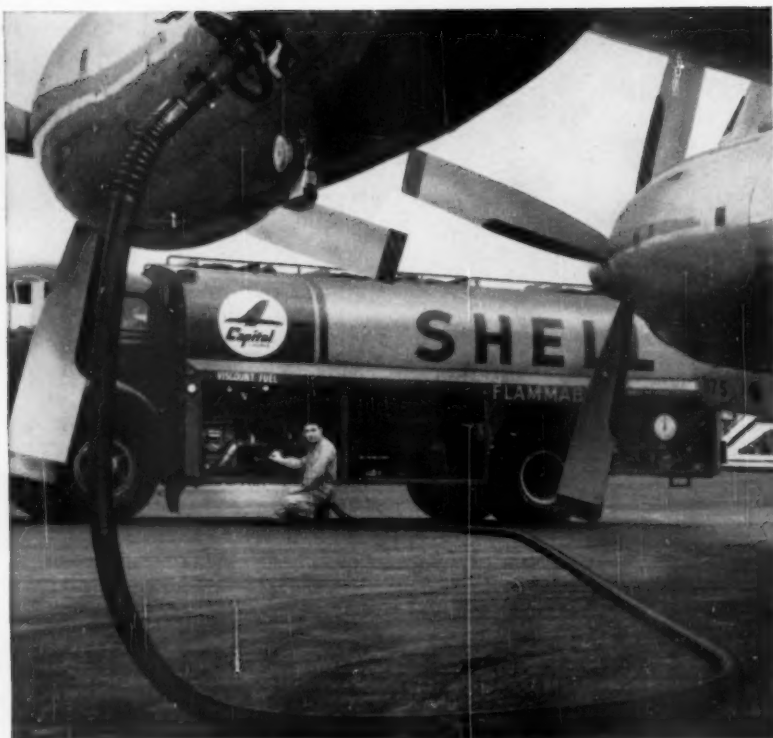
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ate in Gulf-to-Pacific intercoastal service.

- In 1956, Isthmian Lines, Inc.—in what has been termed the biggest single shipping purchase in memory. The reported \$30-million price brought 24 cargo ships.

- Last month, the half-interest in Matson Navigation's new Matson Orient Line.

By a year from now, States Marine must either buy or find a buyer for Bloomfield Steamship Co., which it has run on an agency basis since 1954. States Marine also acts as U.S. agent for a group of foreign ship lines.

### V. Aging Ships and Subsidies

In this vast spreading out and gobbling up process, States Marine has expanded by purchase, combination with other interests—and, in its foreign flag operations, by building. It has built all of the ore and combination ore and oil ships in its foreign flag fleet, has eight foreign flag ships building.

But building has played a very minor role in its U.S. flag expansion—and that's the key to States Marine's turn to subsidy. With its U.S. flag ships aging, it is faced with the problem common to all unsubsidized U.S. ship operators—how to replace these aging ships, bought at \$1-million or less but costing today \$7-million to \$10-million to replace. Foreign flag ships can be built abroad at lower costs.

Like the other traditional independents, States Marine is turning to the government for help. It is asking the government to put all of its U.S. flag ships, including the Isthmian Line, under operating subsidy. The government pays the difference between costs of U.S. flag and foreign flag operations.

• **Link**—But why an operating subsidy to help build ships? It's true that it can use an operating subsidy. But the link between operating and building subsidies is its main reason.

The links are two. Subsidized ship owners get the privilege of depositing money in a tax-deferred reserve fund for building. Owners getting the operating subsidy also agree to replace their ships as they reach 20 years of age—with a government building subsidy usually amounting to 45% of costs.

So if the government O.K.'s the subsidized operations, States Marine plans to build about 50 high-speed cargo ships over the next two decades.

There's little doubt that States Marine will get the subsidy. Its application, filed in 1955, was opposed by more U.S. shipping lines, probably, than any filed to date; every company that competes with it put in its opposing plea. But that's pretty much routine, and only the tedious processes of government appear to be in the way now. **END**

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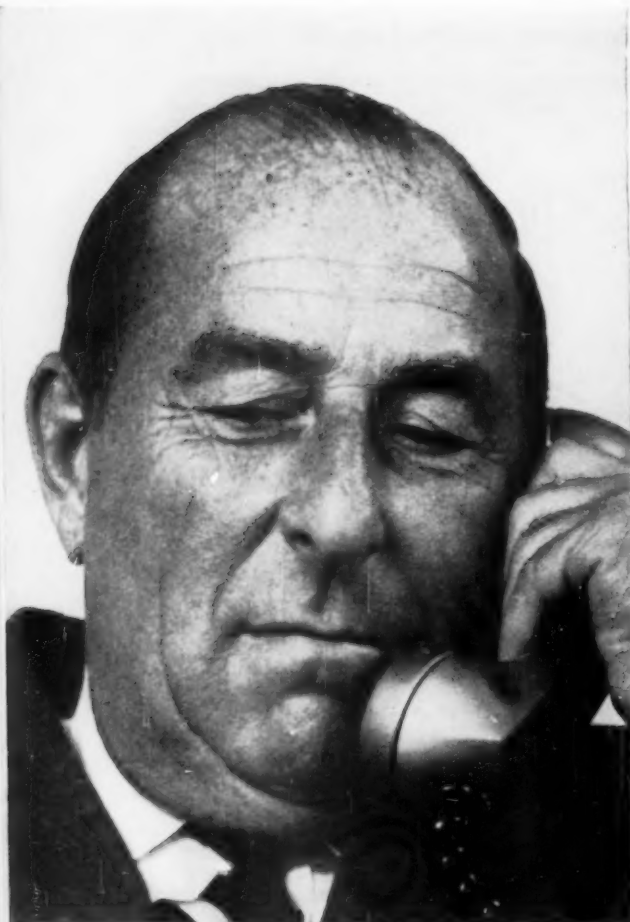
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... AUTO BUSINESS under Pres. Harold Churchill will make a last try for success. Churchill is gambling on the smaller car.

## Studebaker-Packard Bets Its All

Rarely in recent years has any major corporation found itself surrounded by so many gambles simultaneously as does Studebaker-Packard Corp. right now. Take a look at a few of them:

- As an auto maker, Studebaker-Packard and its president, Harold E. Churchill, are gambling that the desire of the public for smaller cars—but not small cars—is real; that S-P can make a deep dent in it in a hurry; and that if the guess is right, it can pick up enough position fast to hold off the Big Three.

- Studebaker-Packard's directors are gambling that even if the auto side of the business should go down, a hurried acquisition program under a tax-loss umbrella can still leave a profitable corporate shell.

- Its creditors are gambling, too. They are forgiving \$22-million in debt—which might be lost anyway if the company collapsed—on the chance of profit greater than the debt forgiven

and/or control of the company if the current plans work.

- Its new "acquisition director," A. M. Sonnabend, is gambling the possibility of making a couple of million dollars for himself if he succeeds in his job, against "being a bum" if he fails.

- And the company's stockholders—who so far haven't been consulted on the new arrangements, and still must approve them at a special meeting in October before any of them become official—in a way will be gambling, too: a short-range sharp dilution of their equity in a wobbly company against a long-range possibility of a prosperous company.

- **The Outs**—Just about the only ones recently involved with S-P not gambling are Curtiss-Wright Corp. and its president, Roy Hurley, who for the past two years have been running Studebaker-Packard under an advisory management contract. Now they have washed their hands of the South Bend company.

What are the odds? Most of those

concerned think them favorable. But under any conditions, the turnaround won't be quick.

### I. Into the Red

Both Studebaker and Packard are old and honored names in the auto industry—but the history of the combined Studebaker-Packard Corp. has been a short and unhappy one.

In 1953, before the two merged, each separately racked up record dollar volumes—\$931-million between them. But profit margins had declined to less than 1%, as the independents with single lines of cars tried to buck the multi-line giants. The S-P combination, as with Nash and Hudson, theoretically offered economies through consolidation, and a wider line under one banner.

But in 1954, the year of the merger, the competitive pressure intensified, and the joint operation racked up a \$26-million loss. James J. Nance, then presi-



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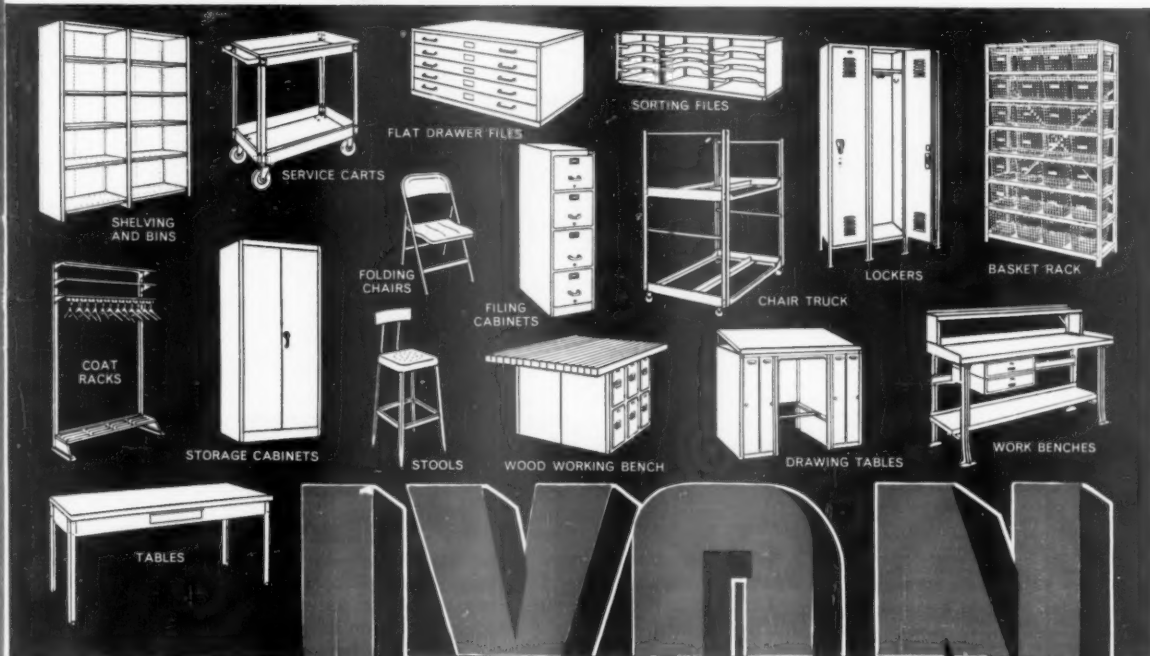
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dent, was kept busy hunting capital for the company, and the consolidation turned out to be somewhat of a paper wedding. Factions at South Bend and Detroit resented each other, and many of the planned manufacturing consolidations never came off. Sales dwindled steadily for both lines, and losses continued—\$29-million in 1955, \$43-million in 1956, when Curtiss-Wright came into the picture.

• **Trade**—Curtiss-Wright participation started as a straight business deal. S-P badly needed capital, and it had excess facilities and some small defense contracts. Curtiss-Wright wanted facilities and defense contracts—and had cash. The swap was \$35-million for a package that included 12 years' advance rent on two S-P plants, the Aerophysics Development Corp., an S-P subsidiary that was working on the Dart missile, and some of S-P's existing defense contracts. And while this negotiating was going on, some of S-P's creditors persuaded Roy Hurley—who has a reputation as a smart and tough administrator and production man—to take the ailing auto maker under his wing in an "advisory" capacity.

At the same time, Curtiss-Wright got an option to buy 5-million shares of S-P stock. Curtiss-Wright also brought along its rights as U.S. distributor of Daimler-Benz products—including the famous and high-priced Mercedes-Benz sports cars. What C-W received as payment for its advisory services has never been revealed. Churchill, who had worked his way up through Studebaker via engineering to general manager of the Studebaker Div., became president. But there's little doubt that for the past two years Hurley was calling the shots.

• **Sales Still Slipped**—One of the first decisions was to consolidate all operations in South Bend. Work on a new small car was started. Hurley spent weeks on the road, holding three meetings a day with dealers trying to strengthen the new sales organization. But in spite of all expedients, Studebaker's sales continued to decline—from 76,000 in the 1956 model year to 44,000 for the model year ending now. Packard, for practical purposes, ceased to exist two years ago, although some bigger Studebakers were put out under that label.

And the deficits were mounting, finally reaching a total of \$134-million.

Directors and creditors were pressing for the company to start doing something to take advantage of the tax loss. Some sporadic attempts at acquisition were made, but nothing jelled. Hurley has little feel, and less liking, for tax-loss dealing. Meanwhile, Metropolitan Life and the Chase Manhattan Bank—which had been the biggest creditors of Botany Corp., one of Sonabend's companies—were also among the biggest

single creditors of S-P. Officials had seen Sonabend rebuild the defunct woolens producer into a highly prosperous outfit by using a tax loss and an unusual acquisition formula. Negotiations with Sonabend over S-P started last January; the results were finally announced two weeks ago.

## II. Formula for Success?

Curtiss-Wright bowed out, option and all. It bought outright the plants it had leased for \$2-million in additional cash. S-P also got the rights to distribute Mercedes-Benz cars.

Creditors—20 banks and three insurance companies—agreed to refinance \$54.7-million in debt: \$16.5-million in 15-year secured notes, \$16.5-million into 5% preferred stock convertible in two years into 5.5-million shares of common stock. The "forgiven" \$22-million theoretically could be made up through appreciation of the stock's value. The only problem here: The 5.5-million shares, plus 3-million to be issued for the acquisition program, plus 500,000 to be optioned to Sonabend will increase S-P's total outstanding common from its current 6.5-million shares to 15.5-million. The company will have to get very prosperous to raise the price enough on the larger total to make money for the creditors.

Meanwhile, if stockholders approve all the current plans, S-P for a while will be, in effect, two companies—one in the auto business under Churchill, one in the acquisition business under Sonabend.

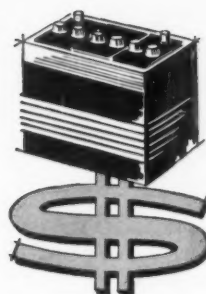
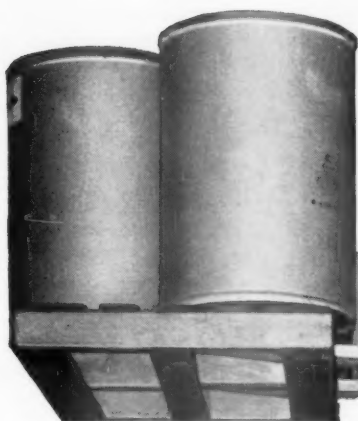
• **Auto Hope**—For the auto side, the white hope is the new "smaller" car, which will be unveiled to dealers later this month, to the public in November. Still unnamed, and unpriced—except for the estimate that it will sell in the range of \$2,000 and slightly under—it will be some 3-ft. shorter than the current "low-priced three," even a few inches less than American Motors' Rambler.

Studebaker people insist vehemently that it is not a "stripped" car. It will come in two-door or four-door sedans and hardtops and station wagon models, with a choice of a six or V-8 engine, standard or automatic transmission or overdrive. Outsiders who have seen and driven the car say its interior room—for six—is comparable to other makes, that it handles well, and that its lines are clean and simple, with a minimum of chrome.

The company will continue to make the Silver Hawk, a flashier sports-type car, which has been doing best of its current models.

• **Sales Target**—The big question lies in whether the public really wants a simpler, smaller car or prefers even bigger and gaudier dreamboats.

Under any conditions, the company



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will have to move fast if it's to have any cushion at all as an auto maker. S-P will have to sell well over 100,000 of the new cars next year to break even, 150,000 to show a \$10-million profit.

This is going to be something of a trick—the last time S-P hit 150,000 was in 1953. It would be a solid three times the company's 1958 rate. AMC's Rambler, after three years of hard promotion, first passed 150,000 this year.

• **On Its Own**—On top of that, the big companies are reported readying their own "smaller" cars for the 1960 model year. S-P may be able to buck AMC, plus the growing phalanx of imported cars. Whether it could run a promotional race against the giants is somewhat doubtful.

Besides, S-P's auto business really only has two years to prove that it's worth continuing—and it's going to have to carry itself financially. Whatever profits do come in from the new acquisition program will be used to bolster the corporate structure, but not to shore up car production.

• **Emphasis on Finances**—At the moment, the controlling elements at S-P are financial, not production or sales, and there are substantial indications that this group will not ride with continuing losses much longer. To use its tax umbrella, Studebaker-Packard must stay in the auto business for a while—but only two years. Harold Churchill, who has a fine reputation as an engineer but is still an unknown quantity as salesman or administrator, has to race that deadline.

He has one extra cushion—distribution of the Mercedes-Benz cars. This June, the Mercedes line—which runs from about \$3,500 up to \$12,000—was reported selling at the rate of 1,000 cars a month. If it can continue selling that way, S-P's distributor's percentage on the \$60- to \$70-million of business will help somewhat—particularly since under a new arrangement with Daimler, S-P will be selling those cars, in effect, on consignment.

• **Sonnabend's Formula**—But Sonnabend's acquisition program won't add much very quickly. Of the total present tax loss, about \$26-million evaporates during 1959, and the acquisition program can't possibly cover that in time.

For one thing, only so many acquisitions can be digested quickly. A limited amount of cash and stock will be available for acquisition. And because of the formula under which Sonnabend operates, only a part of the new profits would revert immediately to S-P.

Sonnabend's formula works like this: For an acquisition, the price is somewhat higher than what might be normal for an all-cash or all-stock sale. A small part of this is paid immediately in stock or cash, the balance to be paid out of earnings of the acquired company at a

rate of 75% of pre-tax profits for the first five years, 75% of post-tax profits for the next five, until the full purchase price is paid. The original management stays on—and the more money it makes, the quicker it gets repaid. But, though the acquiring company, S-P in this case, lays out little cash it gets only 25% of the profits of its new subsidiary.

• **Negotiations**—Although no arrangements can be official until after S-P stockholders approve the new setup, Sonnabend is already holding "active conversations" with the owners of 14 privately held companies, whose annual pre-tax earnings run from a low of over \$1-million to over \$6-million, for a group total of some \$38-million in gross profit.

But even if all the current "conversations" work out, and if all these companies continue to earn at the current rate after coming into the Studebaker fold, though all the profit would come under the tax umbrella, only about \$8.5-million annually would come back to S-P for the first five years.

• **Available Assets**—Yet this formula is, in a way, the only out for S-P. To get this much, Sonnabend has to acquire companies worth a total of about \$150-million. To work with, he will have 3-million shares of new stock and perhaps \$10-million in cash—\$2-million from Curtiss-Wright, between \$5-million and \$6-million that will be freed under the new arrangement with Daimler-Benz, plus possibly another \$3-million from sale of some S-P real estate.

To make the program really work, he's got to acquire twice that much before he stops. So most of the money that would come from new acquisitions would have to finance further acquisitions. Sonnabend insists it won't be so difficult as it seems to an outsider. A surprising number of successful private businesses are willing to sell themselves for estate and other reasons.

• **Iffy Future**—The first acquisitions will probably be in hardgoods lines, so that directors and investors won't be frightened off by a disparity between Studebaker's old business and its new ones. Once the initial shock wears off, though, there's no reason why the company can't branch out into softgoods and service lines.

If it all works out—and even the more optimistic insiders concede some big ifs—everybody will be happy. After five years, the company could—from its new businesses alone—have annual sales of perhaps \$300-million, and net earnings of, say, \$20-million. If S-P's new car sells, it will still have a tidy auto business. The banks will have regained their "forgiven" debt. And Sonnabend, whose option for 500,000 shares will let him pick up 7,500 shares for each \$1-million in new profit he delivers to S-P, may be a lot richer. **END**





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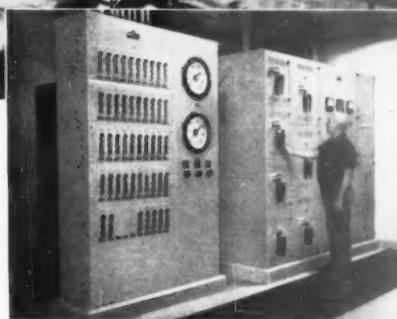
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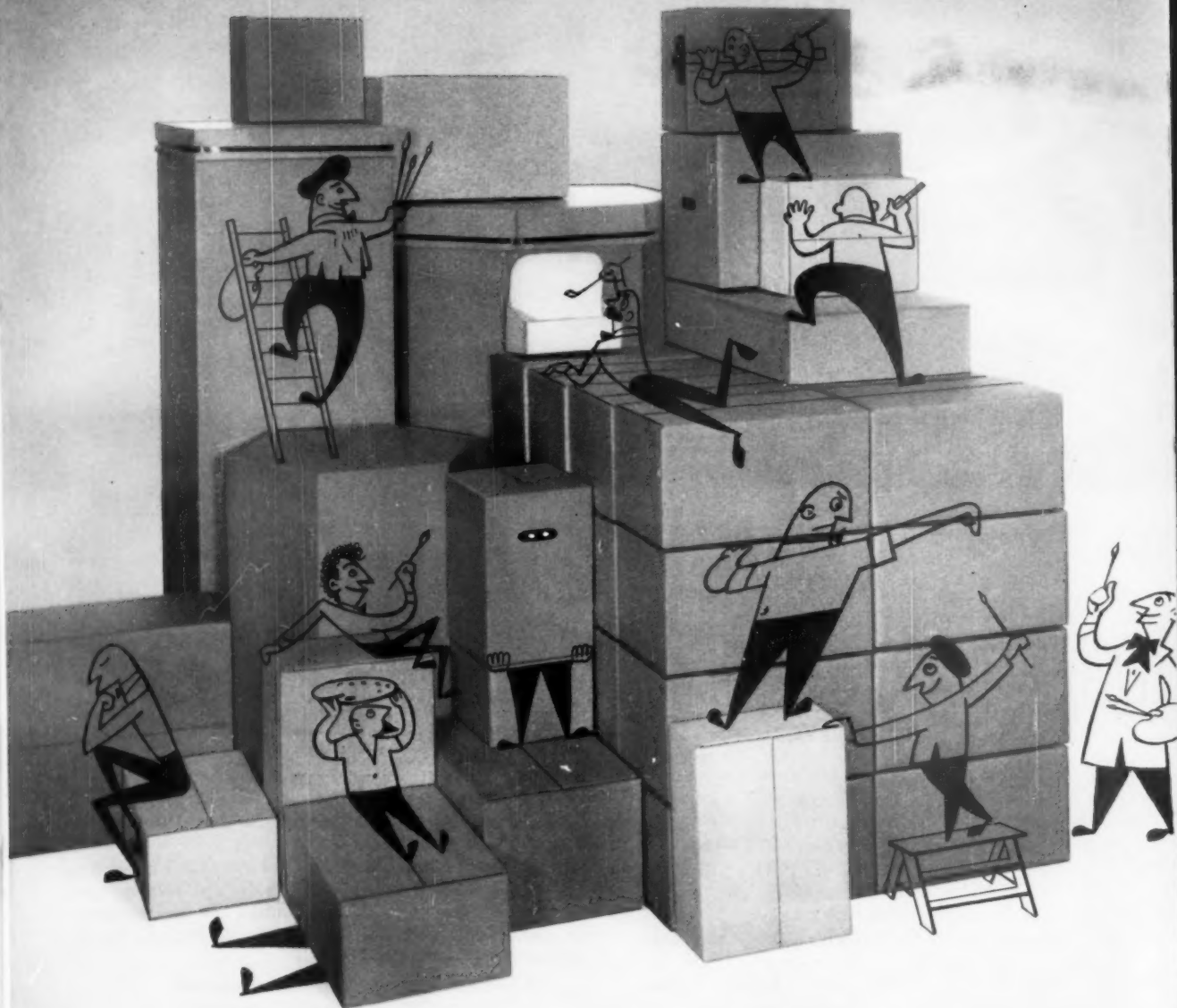
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## REGIONS

# Alaska's Job Is Just Beginning

Statehood is the first step, but it helps economic development only psychologically. There still are obstacles to growth.

Up to last week, when Alaskans went to the polls (picture) and joyously voted overwhelmingly to join the Union, it had taken 46 years to promote Alaska from the status of territory to that of state. Now that this political goal has been achieved, the 49th state faces many more years of developing itself economically.

This is a sobering thought for everyone who expected to cash in on the territory's sudden good fortune. After the Senate passed the statehood bill last June, the vision of easy money dazzled hundreds.

Insurance men, oilmen, and promoters of all kinds crammed the airplanes to Anchorage, Alaska's largest and fastest-growing city. Manufacturers sounded out the Alaska market. People with restless feet bombarded Alaskan newspapers and chambers of commerce with queries about job opportunities. Some people even drove the long highway to try their luck on the frontier.

But after the first excitement, the triumphal bonfires, and the roller-coaster rides of Alaska stocks, the realization came that statehood is no golden key to the economy of an underdeveloped area, that the admission of a state is a political—not an economic—event.

## I. Gains of Statehood

Any economic advantage of statehood that has decisive bearing on Alaska's future is bound to come only as a secondary effect. Statehood has put the region onto the public stage, and this reminder of the state's existence should indirectly be helpful.

For example, statehood cannot change the climate of Alaska or its remoteness from the 48 states or its topography, but it can change the average American's impression of Alaska. Even the debate over statehood aroused an awareness that Alaska has modern cities as well as icy wastelands and regions with a climate like Philadelphia's as well as those that have Arctic weather.

- **"Foreign" America**—Part of the gain for Alaska is psychological. As a full-fledged state, it should lose the stigma of seeming to be foreign despite its ownership by the U.S. since 1867.

This has been a very real handicap to

full development of the territory. If they thought of Alaska at all, manufacturers and bankers in the mainland generally relegated it to a pigeonhole in their "overseas" operations. Statistics and economic studies, government and private, usually omitted Alaska altogether, for lack of evidence that the public was interested in it.

Alaska may be twice the size of Texas, but it will still be "small" in the eyes of industrialists and politicians—at least until a new boom takes hold under the auspices of the area's new self-government. Its population has nearly doubled since 1950—from 128,643 to about 220,000—but many of the newcomers are government officials or military men and their dependents. Alaska still has 50,000 fewer people than Nevada, 48th in population.

- **Representation**—Part of Alaska's gain is political—and this, too, is of psychological as well as material value. Alaska will no longer have to be content with one non-voting delegate to Congress; it will send two senators and one representative to Washington, with voting power that arms them to logroll in Congress and to put pressure on the executive branch to get things done for their new state.

Alaskans are obviously convinced that a government of their own, rather than the one far away in Washington, will best be able to develop their region. Instead of a governor appointed by the President, an executive structure provided by the Interior Dept., Alaska will have an elected administration. Its legislature has been elective since 1912.

The state's major new burdens will be a judicial system to take over from the federal courts and the expense of highway maintenance. The U.S. has been paying most of the cost of road maintenance as well as construction; the maintenance cost now falls back on the state, as on other states.

These added burdens mean heavier taxation. This was a point of debate before last week's referendum. Alaska's territorial tax take per capita is already 16% higher than the average for the states, and some people suggested that the need for new revenues might create an excessive tax load.

## II. Oil Just in Time

From the standpoint of both the tax needs and the long-range development of the new state, last year's discovery of oil on the Kenai Peninsula could not have been more fortunately timed.

The Navy had proved oil reserves



TEENAGERS gather to vote—19 is the minimum age in Alaska—at a Juneau poll as Alaskans vote, 5 to 1, for statehood.

several years ago in northern Alaska, but the commercial well brought in by Richfield Oil Corp. was the first important one by a private company.

In the past year, major and independent oil companies have so stepped up leasing of federal lands that by now 40% of the 84-million available acres have been leased or covered by lease offers. For a small company, says Pres. Theodore A. Zappa of Alaska Oil & Mineral Co., Alaska represents the last opportunity to lease so much land. Interior Dept. limits a company to 100,000 acres.

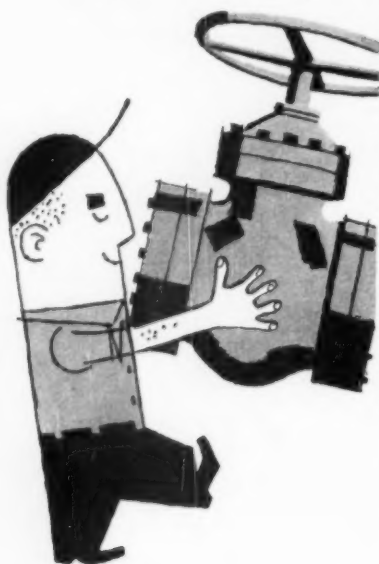
No one has yet duplicated Richfield's find. Richfield and Standard Oil Co. of California joined to drill at another site but quit without getting worthwhile signs of oil. Now they may go back to the vicinity of the discovery. Hope for their and others' success stays high.

- **Could Lead Resources**—Petroleum production of any magnitude could win first place among Alaska's resources. The economy today is dangerously dependent on military spending. Among its natural resources, fisheries rank first, with last year's output valued at \$93-million. Timber, minerals, and furs rank next.

To the new state government, substantial oil production will mean reve-



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due from leases, royalties, income tax, and probably a severance tax on the oil and gas taken out. The Interior Dept. estimates that Alaska's added costs of statehood, chiefly courts and highway maintenance, will amount to \$3.6-million at the outset and that \$3-million of this might soon be offset by revenue from oil and gas leases.

• **Risk Capital**—Oil would not only pour money into the cash registers of Anchorage, the city nearest to the Kenai Peninsula, but—even more important—it would also attract the kind of men who provide venture capital and make it yield a return.

"A lot of money is going to be made in Alaska, and a lot of money lost," says Ivan Bloch, a Portland (Ore.) economist. "Oil will bring the kind of people who are needed."

Alaska's most obvious need for development is risk capital. In its territorial era, most entrepreneurs considered the risk too great, as far as they could judge. Only those in the Pacific Northwest, who were more familiar with Alaska, were willing to take a chance. For the time being, the Northwest will continue to be the primary source of risk capital.

Wall Street houses that could channel funds into Alaska as into other development situations say statehood by itself makes little difference in their thinking. "Alaska will have to grow, not just be a boom area," says an investment banker.

Another banker who has been there sees opportunities for capital in tourist accommodations, mining property, real estate, mortgages, and leasebacks of warehouses and plants. One Wall Street firm is thinking of forming a fund to participate in such investments.

### III. Impact of Statehood

For businesses already in Alaska, the impact of statehood can be reasoned out, if not determined precisely.

Fishing, timber, and minerals may be hit by higher tax rates, on the theory that an underdeveloped state boosts its levy on its dominant industries in order to cut its taxes on the industries it wants to attract.

Under the statehood law, the Secretary of the Interior retains control of the fisheries until he feels the state of Alaska is ready to take over. Alaskans guess this may happen by 1960. Whenever it comes about, it will be a blow to salmon canners, who led the opposition to statehood.

• **Multiplying Jobs**—Statehood advocates have for years made it plain that one of the state's first acts would be to ban the salmon canners' use of fish traps, which yield a carefully controlled catch with the least possible manpower. In the interest of providing more

employment as well as to practice conservation, the state is already committed to banning traps as soon as it receives authority to do so.

This preoccupation with multiplying the number of jobs is also expected to influence the state's regulations on the taking of timber and minerals. These are likely to be less stringent than the federal controls, though the state constitution says merely: "It is the policy of the state to encourage the settlement of its land and the development of its resources by making them available for the maximum use consistent with the public interest." This leaves broad latitude for interpretation.

Most of the logging is in national forests, so it will remain largely under control of the Agriculture Dept.'s Forest Service. But Agriculture's policy of prohibiting the export of unprocessed logs from Alaska is already creating more local employment in mills. One pulp mill has been operating since 1954, another is being built, and a third is under study. These are in southeast Alaska—fortunately for that area, since it won't feel the stimulus of oil.

• **Tiny Market**—Since Alaska is still such a minuscule market area, its manufacturers and processors will have to depend on selling their wares outside. Its one pulp mill is reported running at only 50% of capacity; the one under construction, with Japanese capital, will probably ship its pulp to Japan. One small refinery could easily supply the total civilian and military needs of Alaska—about 15,000 bbl. of petroleum products per day.

### IV. Way of Development

One of the state's first critical decisions will be its choice of land (now 99% owned by the federal government) and of how to distribute it. The federal government is giving Alaska 102,550,000 acres to sell or lease as it sees fit. This land is a source of the state treasury's first large chunk of money and also of the first big problem of policy.

Until the new government starts to function, no one knows which acreage the state will select under Washington's offer. It would be inclined, however, to choose land in the more developed coastal areas, in and around the cities and villages of the interior, and under oil or mineral leases.

The legislature is expected to adopt homestead laws that are more suited to Alaska than the federal laws, which were designed for the settlement of the western plains. Present laws require land to be cleared and planted in crops, and this hindered homesteading in the very different terrain of some parts of Alaska.

• **Not Too Easy**—Of course, the state won't want to make settlement too easy. It doesn't want to risk attracting more





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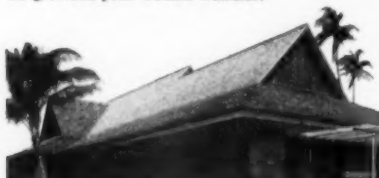
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settlers than the job market will support, and thus inviting them to go on relief.

Both the territorial and the federal governments have already tried to discourage people who have one-way tickets and no jobs waiting for them. They cracked down on one promoter who was touting Alaska in the states as a place where a man could make \$8 an hour and where some Eskimos took home \$10,000 a year—neglecting to point out how much more it costs to live there.

The latest report of the Alaska Employment Security Commission shows unemployment, at 6.9% of workers who are covered, unusually high right now. Employment isn't expected to rise this year. The only workers on the wanted list are experienced electronic, mechanical, and sanitary engineers, nurses, experimental psychologists, medical technicians, draftsmen, stenographers, seismic observers, geophysicists—and employment interviewers.

The commission warns prospective settlers that living costs range from 27% to 56% above Seattle's and that, if they come anyway, they should have return transportation plus a minimum of \$500 to tide them over.

Alaska wants to provide employment before it encourages newcomers. To attract industry, the legislature last year passed a 10-year exemption from income and local property taxes for new industries that qualify as desirable. This law is expected to be continued under state government although opponents will charge that exemptions raise the taxes of existing business.

• **Prospects**—Despite the small size of the Alaska market today, mainland companies are rattling their typewriters with inquiries about adding the region to their distribution systems. Rather than building factories there, it looks more likely that companies will recognize Alaska by taking on distributors, sending their own sales people, or starting warehouse operations.

A New York chemical house writes for a list of prospective representatives. A West Coast soft drink company wants a list of bottlers. New York Life Insurance Co., which has substantial investments in Alaska, talks of opening a branch office there, both to sell insurance and to make loans. Exec. Vice-Pres. Dudley Dowell, after a visit to Alaska a few weeks ago, commented that the office manager will have to be more self-reliant than the average man in his position—"He can't call New York all the time."

Any Alaskan who serves as a distributor will also be more on his own than most. Because of the cost, distance, and seasonal nature of transportation, he must be able to carry extra-heavy inventories. This, in turn, creates an oppor-

tunity for banks and factoring firms.

Alaska banks—18 of them, with deposits totaling \$180-million—already provide loans under correspondent relationship with mainland banks. When Alaska becomes a state, the 15 banks that don't already belong to the Federal Reserve System must join it or become state banks (if the state sets up the machinery to charter them). As Federal Reserve members, they would have to sacrifice the charge of about 25¢ per \$100 they now make for collections on checks of other banks.

• **Transportation**—Alaska's weakest economic link is its transportation to the U.S. mainland. This can be improved only at costs now considered prohibitive.

Freight traffic is mostly one way—northward—by a combination of rail and water or by truck over the Alaska Highway. Efforts to extend rail connections through British Columbia have been abandoned; Canada hasn't yet paved its section of the Alaska Highway, and a 1956 commission created by Congress to study new rail and highway facilities has been slow in getting to work.

The statehood act opens up one possibility for reducing transportation costs. The Merchant Marine Act of 1920, which bars foreign vessels from carrying cargoes between two points in U.S. territory, made an exception where the water haul is part of an established route recognized by the Interstate Commerce Commission—a water trip across the Great Lakes in Canadian ships as part of a rail-water route between two U.S. lake ports was what Congress had in mind.

To point up this intention, Congress in the 1920 act specifically excluded Alaska from the benefits of this provision. But the statehood act deletes the phrase "excluding Alaska."

Now it will be possible for a cargo from, say, Michigan to Alaska to go by rail across Canada to Prince Rupert, B. C., a short haul by water from Alaska, and be carried from there by a ship of any flag. If Canadian or Japanese ships enter this trade, Alaskans think rates also would go down. Up to now, ship service has been from Seattle—a much longer distance—and largely provided by Alaska Steamship Co., which hauls 400,000 tons a year.

• **Port at Anchorage**—Meanwhile, Anchorage is starting to build a seaport. With only a military pier, the city has been getting its freight overland from Seward, adding to transportation costs.

To finance the project, the city sold \$8.2-million worth of bonds in a time of highest public interest over Alaska's statehood. Ira Haupt & Co., managers of the underwriting syndicate, reported all but \$650,000 of the bonds sold soon after offer—a good sign for future municipal issues from Alaska. **END**



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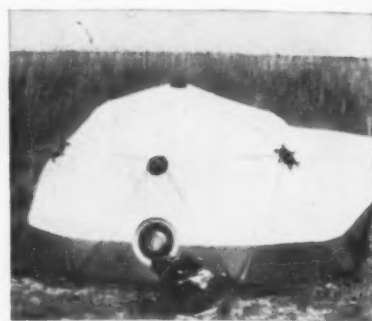
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It almost had to happen. The geodesic principle has been adapted to air-inflated dome structures by a corset maker—though not for corsets.

Spencer, Inc., a New Haven (Conn.) subsidiary of Berger Bros. Co., is manufacturing portable dome shelters 16 ft. and 48 ft. in diameter, called Geodomes. Other air-inflated buildings depend on air pressure inside the structure for support (BW—Jul. 5 '58, p. 36), but the Geodomes are different. Their walls—triangular panels of neoprene-coated nylon—are inflated like an air mattress to a thickness of about three inches. Since the panels are interconnected, a single compressor can pump up the whole dome in about five minutes. Window panels can be substituted for inflated panels.

• **Easily Lifted**—The Geodome is surprisingly strong for its weight. Two men can lift the 16-ft. model without much strain, yet it will hold up under snow loads of up to 30 lb. per sq. ft. and wind velocities of 120 mph. It won't collapse even if a man jumps on it.

Spencer's chief business is making corsets and body supports for the medical trade. It has been active in developing Air Force G-suits—inflatable cover-





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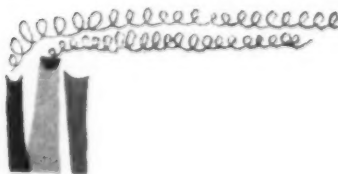


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162 New Products

alls that keep pilots from blacking out during violent maneuvers. But this is the first venture into building construction. Price for the 16-ft. Geodome is \$6,800; the price for the 48-ft. model hasn't been set.

## Stick-Together Closure

Zippers get a new competitor this fall, among buttonless closures for clothing, belts, shoes, and other products. The new closure, called Velcro, looks like two strips of mohair or fine carpeting. When you stick the strips together, they stay, and it takes a considerable pull to get them apart. The closure, a Swiss invention, is based on the same principle that causes a burr to stick to your clothing. It is made up of tiny hooks molded into nylon filaments. The closures don't stick to other fabrics, will withstand repeated washings and innumerable openings and closings.

Velcro will also be used in furniture upholstery, aircraft seat covers for the Lockheed Electra, and in one model of a passenger bus to hold the access panel cover over the illuminated sign box on the front of the bus.

The closures come in tape form, are easier to apply than a zipper, since the tape can be sewn on both sides, glued, or stapled down. Light pressure contact is sufficient to give a good bond. The manufacturer is American Velcro, Inc., with a plant in Manchester, N. H. Price ranges from 75¢ to \$2 per yd., depending on the width.

## NEW PRODUCTS BRIEFS

At data processing centers, even a slight interruption of electric power can result in a lot of wrong answers. Allis-Chalmers Mfg. Co. has developed a system to insure against this power failure. It keeps the current flowing evenly by cutting in a 10-kw. generator with a heavy flywheel whose momentum spins the generator until a diesel engine can take over the job. A TV set connected with the system doesn't even flicker when power failures are simulated.

An aluminum bridge constructed on aircraft design principles was demonstrated last week by its builder, Fairchild Engine & Aircraft Corp., at Lehigh University. Built as a cooperative venture under the sponsorship of the Bureau of Roads and the aluminum companies, the bridge is 24 ft. wide, 50 ft. long, and has withstood test loads of up to 52 tons. The big advantage of the bridge is its low cost of maintenance.

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# Time for Decisions on Commuting

In New York, as in many other cities, businessmen coming back this week after sun-lulled days on the beach found commuting the same old headache—only much more so.

For years now most railroad commuters have found the equipment aging, the service sloping off, and trains and terminals steadily more crowded. With this deterioration, there's been plenty of complaining, no end of proposals, and constant investigations and reports.

The next year, though, promises to be different. For the time has come when some hard decisions have to be made. The New York Central's West Shore line and the Erie RR are planning to suspend ferry service across the Hudson—and so throw thousands of commuters off their runs. This is only one in a series of reductions in service to New York.

George Alpert, president of the New Haven, which carries 60,000 commuters a day into New York, says his railroad must be given a subsidy or remission of taxes without delay. The only alternative, as he sees it, is some form of socialization, which usually means heavy deficits to be met by the weary taxpayers.

The time for wishful thinking is past. No talk of eliminating featherbedding, of washing out red tape and regulation, or of improving the service is going to save the commuting railroads. There is no question that the service is vital. It must be maintained, and it must be improved if New York and other metropolitan areas are to grow.

The decisions are going to be hard to reach. The railroads have had the short end of the stick for a long time. The New York-New Jersey metropolitan area, for example, faces with equanimity the prospect of raising some hundreds of millions of dollars for a Narrows Bridge, double-decking the George Washington Bridge, and building connecting parkways. But the prospect of raising a million or so a year for commuting railroads is bleak.

Nevertheless, it can be done. The New Haven has just won a subsidy of \$900,000 a year from the state of Massachusetts. The Long Island RR, which a few years ago was perhaps the most decrepit of all, is being rehabilitated on a program of relief of about half of its state and local taxes—a saving of about \$2.3-million a year—and something more than \$2-million a year in interest and dividends forgiven by its parent, the Pennsylvania. It has raised fares about 20% since 1954, when the rehabilitation began. The Long Island now has the best on-time record of any of the New York commuting railroads.

The passenger business—urban or suburban—has long been recognized as a money-losing business. But now the cities involved and their commuters

must make up their minds on how they want to rehabilitate the commuting railroads. And they don't have much time in which to do it.

## New Approach to Aid

For several years the problem of the underdeveloped countries has been recognized as the most difficult economic challenge facing the free world. A flood of books, pamphlets, articles, speeches, and official reports bears witness to that. Yet, no one in this country or in the underdeveloped nations has felt very happy about our response to the challenge. We have relied too heavily, it is clear, on a foreign aid concept that had been developed to meet the reconstruction needs of Western Europe and not the development needs of newly emerging nations.

Now the Eisenhower Administration has decided on a new, and promising, approach. It will involve shifting almost entirely from grants to loans, though with considerable emphasis on soft loans, that is, loans that for one reason or another will not meet ordinary banking standards; channeling more lending through international institutions, especially the World Bank and the International Monetary Fund; and sharing the development burden with Western Europe and Japan.

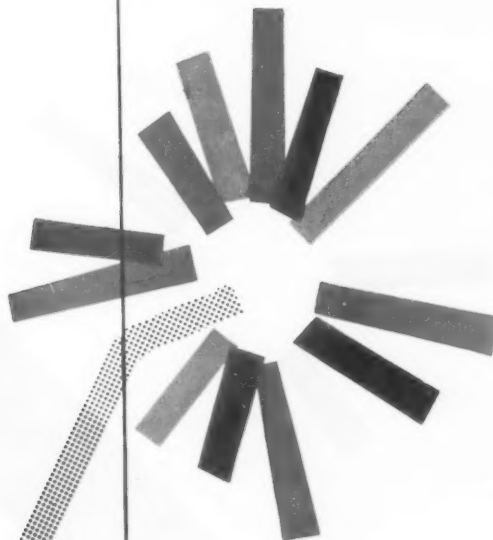
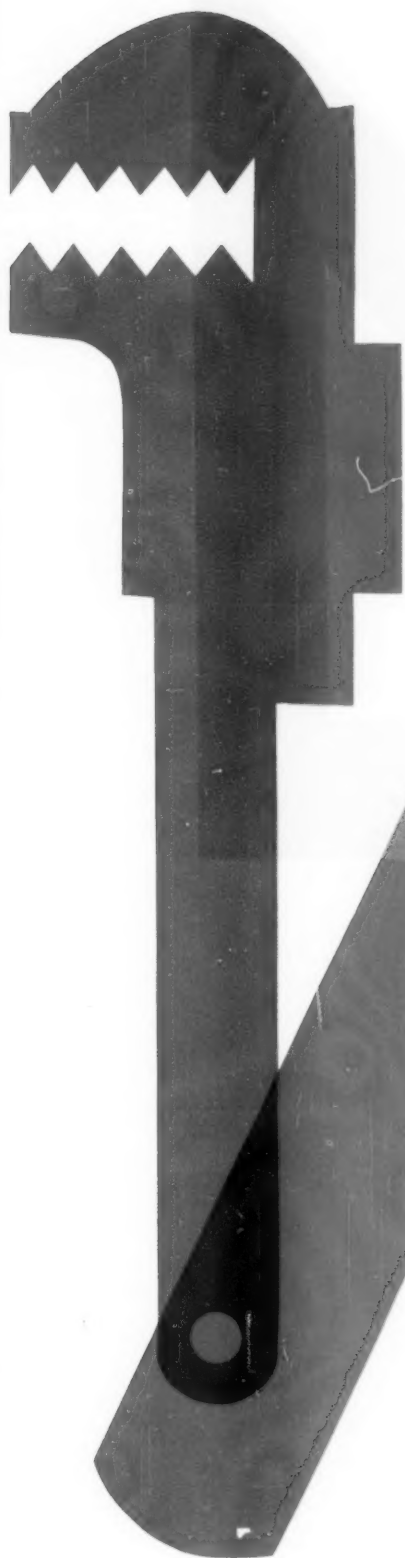
To achieve these goals, Pres. Eisenhower and Secy. of the Treasury Anderson have proposed strengthening the World Bank and the IMF, plus the addition of a soft-loan affiliate—the International Development Assn.—to the Bank (BW—Aug. 30 '58, p14).

By shifting the main responsibility for extending credit from the U. S. to the World Bank, it should be possible to handle the development problem on a much more business-like basis. For example, when an underdeveloped country requests money to finance a given project from World Bank, Pres. Black is in a position to examine the proposition on its economic merits. In similar situations in the past, Washington sometimes has had to put political considerations ahead of economic. Then, there is the fact that the World Bank, through the sale of its obligations, can draw on private funds to replenish its resources. To date, the Bank has raised \$1.7-billion in this way, nearly half of it outside the U. S.

It is hard to feel quite as confident about the merits of the proposed International Development Assn. The soft loans extended by such an institution could prove, in the end, to be little different from grants. But that already is the case with soft loans of our own Development Loan Fund.

It is fortunate, as the Administration moves to internationalize its economic aid, that the World Bank and IMF are so well equipped, with both leadership and technical staff, to meet the challenge.



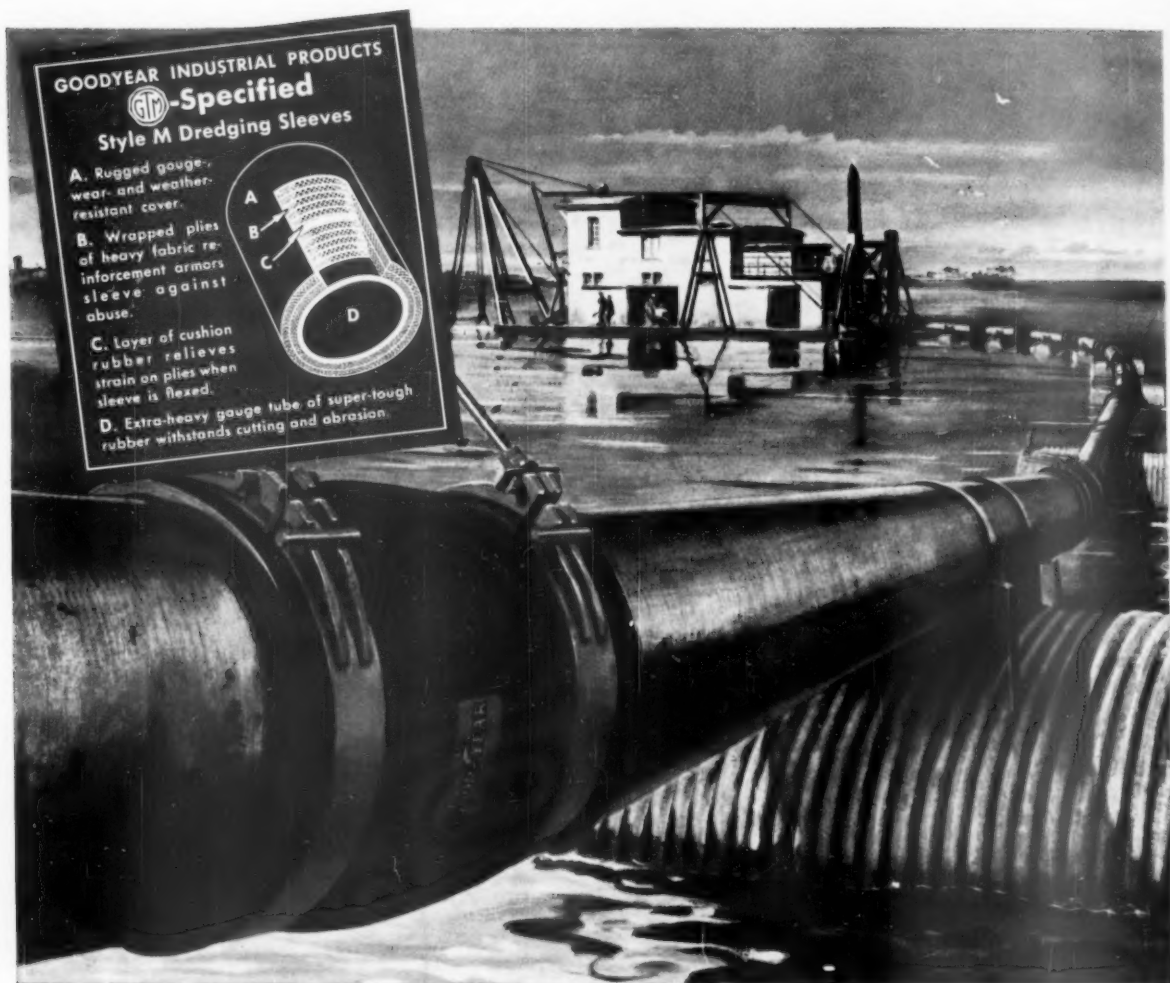


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B. Wrapped plies of heavy fabric reinforcement armors sleeve against abuse.

C. Layer of cushion rubber relieves strain on plies when sleeve is flexed.

D. Extra-heavy gauge tube of super-tough rubber withstands cutting and abrasion.

## Look what's up the G.T.M.'s sleeve, now!

**I**t's razor-sharp coral rock! The kind that's used as the aggregate in asphaltic road mixes.

In the operation pictured above, this rough, abrasive rock posed a real problem. It quickly chewed through every kind of dredging sleeve tried. Some of these flexible, rubber links between the metal pipe of the pontoon line lasted *less than 10 hours*. Average service was *only one month*. That is, until the G.T.M. — Goodyear Technical Man — stepped into the picture.

The G.T.M. recommended specifically developed Style M Dredging Sleeves. These hand-built combinations

of special rubber compounds and reinforcing fabric were made to order for the job — serve an average of six months — six times previous service. For details on these durable sleeves, or any of the more than 300 types of hose available from the G.T.M., see your Goodyear Distributor or write Goodyear, Industrial Products Division, Akron 16, Ohio.

**YOUR GOODYEAR DISTRIBUTOR** can quickly supply you with Hose, Flat Belts, V-Belts, Packing and Rolls. Look for him in the Yellow Pages of your Telephone Directory under "Rubber Products" or "Rubber Goods."

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THE GREATEST NAME IN RUBBER